Annual financial report
at 31 December 2020

Contents

Board of Directors

Fulvio Montipò
Chairman and Chief Executive Officer

Giovanni Tamburi (b)
Deputy Chairman

Victor Gottardi
Executive Director

Fabio Marasi
Executive Director

Angelo Busani (a) (c)
Independent Director

Antonia Di Bella
Independent Director

Marcello Margotto (b)
Independent Director
Lead Independent Director

Federica Menichetti (a) (b) (c)
Independent Director

Stefania Petruccioli
Independent Director

Paola Tagliavini (a), (c)
Independent Director

Board of Statutory Auditors

Anna Maria Allievi
Chairman

Roberta De Simone
Statutory Auditor

Mario Tagliaferri
Statutory Auditor

Independent Auditors

EY S.p.A.

(a) Member of the Audit, Risks and Sustainability Committee
(b) Member of the Remuneration Committee and Appointments Committee
(c) Member of the Related Party Transactions Committee

2020 Board of Directors' Report

Financial Highlights of the Interpump Group

	31/12/2020 (€/000)	31/12/2019 (€/000)	31/12/2018 (€/000)	31/12/2017 (€/000)	31/12/2016 (€/000)
Consolidated net revenues	1,294,363	1,368,618	1,279,167	1,086,547	922,818
Foreign sales	85%	84%	83%	82%	83%
EBITDA	294,055	317,890	288,519	248,648	198,502
EBITDA %	22.7%	23.2%	22.6%	22.9%	21.5%
EBIT (Operating profit)	207,659	247,214	236,549	198,912	153,533
EBIT %	16.0%	18.1%	18.5%	18.3%	16.6%
Consolidated net profit	173,271	180,602	173,862	135,723	94,473
Free cash flow	203,769	124,824	82,183	93,552	89,947
Net indebtedness [c]	332,186	425,100	331,866	323,808	300,024
Consolidated shareholders' equity	1,149,977	1,055,074	868,905	764,729	677,538
Net indebtedness [c]/EBITDA	1.13	1.17	1.15	1.30	1.51
Net capital expenditure (Capex)	61,395	73,654	68,185	47,812	36,527
Average headcount	7,415	6,921	6,472	5,750	5,016
ROE	15.1%	17.1%	20.0%	17.7%	13.9%
ROCE	14.0%	16.7%	19.7%	18.3%	15.7%
EPS - EUR	1.596	1.699	1.619	1.257	0.884
Dividend per share - EUR	0.260	0.250	0.220	0.210	0.200

ROE: Consolidated net profit / Consolidated shareholders' equity

ROCE: Consolidated operating profit / (Consolidated shareholders' equity + Net indebtedness)

Dividends pertaining to the fiscal year to be paid in the following calendar year

(a) Following application of the amendment to IAS 19, the data has been restated.

(b) Continuing operations.

(c) Inclusive of the debt arising from the acquisition of investments.

	31/12/2015	31/12/2014	31/12/2013	31/12/2012 [a]	31/12/2011 [b]
	(€/000)	(€/000)	(€/000)	(€/000)	(€/000)
Consolidated net revenues	894,928	671,999	556,513	527,176	471,619
Foreign sales	85%	86%	86%	86%	84%
EBITDA	180,258	136,106	105,173	105,876	94,614
EBITDA %	20.1%	20.3%	18.9%	20.1%	20.1%
EBIT (Operating profit)	136,896	104,367	79,334	84,049	75,650
EBIT %	15.3%	15.5%	14.3%	15.9%	16.0%
Consolidated net profit	118,306	57,742	44,087	53,226	42,585
Free cash flow	85,246	38,290	34,282	38,598	28,800
Net indebtedness [c]	278,196	226,044	121,384	102,552	145,975
Consolidated shareholders' equity	622,628	466,550	432,949	396,876	315,160
Net indebtedness [c] /EBITDA	1.54	1.66	1.15	0.97	1.54
Net capital expenditure (Capex)	28,863	34,142	29,278	15,839	12,153
Average headcount	4,830	3,575	2,998	2,685	2,436
ROE	19.0%	12.4%	10.2%	13.4%	13.5%
ROCE	15.2%	15.1%	14.3%	16.8%	16.4%
EPS - EUR	1.101	0.541	0.413	0.556	0.439
Dividend per share - EUR	0.190	0.180	0.170	0.170	0.120

KEY EVENTS OF 2020

The COVID-19 pandemic broke out during 2020, with major effects on all world economies due to the shutdown by governments of many activities, including those in the manufacturing sector. Those businesses that remained open continued at a slower pace, both to ensure maximum compliance with the safety instructions and due to the shutdown, in turn, of their principal clients and vendors. The pandemic originated in China, where activities were essentially suspended for the entire first quarter of the year. In the Rest of the World, the months of March and especially April were worst hit, with major suspensions of activities in almost every country where the Group operates. The timing of the restart varied, depending on the country concerned. At this time, activities are striving for a return to normality, but have not yet reached pre-COVID levels.

Despite these serious macroeconomic conditions, the Interpump Group has shown strong resilience, both in absolute terms and with respect to its principal manufacturing competitors, due to careful monitoring of the situation at each subsidiary and an ability to react to the challenges posed by the pandemic. This action made it possible to limit the reduction in sales and achieve exceptional results in terms of EBITDA and generation of free cash flow.

Sales amounted to €1,294.4m, down by 5.4% with respect to 2019. Analysis by business sector shows that sales in the Hydraulic Sector declined by 2.3% with respect to 2019, while those in the Water Jetting Sector were 11.5% lower.

Compared with 2019, the 2020 consolidation includes the Reggiana Riduttori Group, acquired in October 2019 and therefore only consolidated for three months in that year, and the Transtecno Group, acquired in January 2020, both in the Hydraulic Sector. Hydra Dyne (also in the Hydraulic Sector), acquired on 1 March 2019 and only consolidated for ten months in 2019, has been consolidated for the whole of 2020. In the Water Jetting Sector, Pioli has also been consolidated for the whole of 2020, compared with just nine months in 2019 since it joined the Group on 1 April 2019. In addition, Servizi Industriali (Water Jetting Sector), acquired in July 2020, has been consolidated for six months in 2020.

EBITDA was €294.1m, equivalent to 22.7% of sales. In 2019, EBITDA was €317.9m (23.2% of sales).

Free cash flow reached €203.8m in 2020 (€124.8m in 2019), up by 63%.

Net profit for 2020 totaled €173.3m (€180.6m in 2019).

On 14 January 2020, Interpump Group completed the acquisition of the Transtecno Group, which operates in the design, production and commercialization of gears and ratiomotors. This company based in Anzola Emilia (Bologna) has branches in China, the Netherlands, Spain, the USA and Mexico. Transtecno makes a medium-low power range of products that are used in a multitude of sectors, with specific lines designed for poultry farming, car wash systems and renewable energy (biomass boilers and solar panels). The modular design approach facilitates the optimization of distribution, reducing the need for burdensome inventories and simplifying the work of distributors. Transtecno generated consolidated sales of €48.8m in 2019, with an EBITDA of €8.9m. The positive consolidated net financial position (NFP) amounted to €2.4m. These results make Transtecno, together with Reggiana Riduttori, one of the most profitable and solid in the Italian gear industry. The price for the acquisition of a 60% interest was €22m plus 488,533 Interpump shares already owned by the Group. Put and call options, exercisable in two and four years, were agreed in relation to the remaining 40% interest.

On 21 July 2020, Interpump Group acquired 80% of Servizi Industriali S.r.l., a company based in Ozzano Emilia (Bologna) that is active in the design, production and commercialisation of centrifugal separators under the Macfuge brand name. The Macfuge systems are used for separation and the clarification of fluids. These processes increase the purity of fluids in the food processing, chemicals, pharmaceuticals and energy sectors. They allow the proper recycling and disposal of waste products generated by numerous industries, thus improving their environmental impact; additionally, they are essential to the production of biofuels. The company generated sales of €7.7m in 2019, up by 40% with respect to the prior year, with an EBITDA margin of about 22%. The price agreed, inclusive of cash totaling €0.5m, was €4m.

On 9 November 2020, Interpump Group signed a binding agreement to purchase DZ Trasmissioni S.r.l., a manufacturer of right-angle gear drives based in Zola Predosa (Bologna). With a complete range and the ability to design custom solutions, DZ Trasmissioni products satisfy the demand for right-angle gear drives reaching 3,000 rpm and delivering up to 15kW of power. The 2019 sales of the company amounted to €5.5m, with a normalized EBITDA in excess of 25% of sales. This transaction, completed on 14 January 2021, resulted in acquisition of the entire company for a price, determined with reference to the financial position at year end, reflecting the agreed enterprise value of €5.8m. Payment was made by assigning 75,000 Interpump treasury shares, valued at the official market price on the day prior to the completion date, with the difference settled in cash.

Group Structure

as at 31/12/2020

all holdings 100% unless otherwise specified

Interpump Group SpA

WATER-JETTING

- Inoxihp (52.72%)
  - AVI Srl
- NLB Corporation Inc.
  - NLB Poland
- GP Companies Inc.
  - General Pump China ❗
- Hammelmann GmbH
  - Hammelmann Corporation Inc.
  - Hammelmann Australia Pty Ltd
  - Hammelmann Pumps Systems Co. Ltd (90%)
  - Hammelmann S.L.
  - Hammelmann France SARL
  - Hammelmann Swiss GmbH
  - GS-Hydro HK Ltd.
    - GS-Hydro Piping Systems (Shanghai) Co. Ltd.
- Inoxpa S.A.
  - Inoxpa India Private
  - Inoxpa Solutions France
  - Inoxpa Solution Portugal Lda
  - Inoxpa (UK) Ltd
  - Inoxpa Solutions Moldova (66.67%)
  - Inoxpa Australia Proprietary Ltd
  - Inoxpa Colombia SAS (83.29%)
  - Inoxpa Italia S.r.l.
  - Inoxpa Middle East FZCO (60%) ✖
  - Inoxpa Skandinavien A/S
  - Inoxpa South Africa Proprietary Ltd
  - Inoxpa Special Processing Equipment Co. Ltd
  - Inoxpa Ukraine
  - Inoxpa USA Inc
  - LTD Inoxpa (70%)
- Servizi Industriali Srl (80%)
- Pioli Srl
- Sit SpA (65%)
- Teknova Srl ✖

HYDRAULICS

- Interpump Hydraulics SpA
  - Oleodinamica Panni Srl
  - Hydroven Srl
  - Hydrocar Chile S.A. (90%)
  - Wuxi Interpump Weifu Hydr. Company Ltd (65%)
  - Interpump Hydraulics India Ltd
  - Interpump Hydraulics Middle East FZE
  - Interpump Hydraulics France Sarl (99.77%)
  - Interpump South Africa Pty Ltd
  - Interpump Hydraulics RUS ❗
  - Interpump Hydraulics Peru Sac (90%) ❗
  - Interpump Hydraulics Brasil Ltda
    - Hammelmann Bombas e Sistemas Ltda
  - Contarini Leopoldo Srl
    - Unidró Contarini Sas
    - Copa Hydrosistem Ood
  - Interpump Hydraulics (UK) Ltd
    - Mega Pacific Pty Ltd (65%)
    - Mega Pacific NZ Pty Ltd (65%)
    - IMM Hydraulics Ltd ✖
    - Bristol Hose Ltd ✖
  - Muncie Inc.
    - American Mobile Power Inc.
    - Hydra Dyne Technology Inc. (75%)
    - GS-Hydro U.S. Inc.
  - I.M.M. Hydraulics SpA
    - Interpump Fluid Solutions Germany GmbH
    - FGA Srl
    - IMM Hydro Est
    - Hypress Francia Sarl
    - Tekno Tubi Srl
    - Gummi Tech Srl (60%)
- Walvoil SpA (65%)
  (remaining 35% held by Interpump Hydraulics SpA)
  - Walvoil Fluid Power Corporation
  - Walvoil Fluid Power Korea Llc
  - Walvoil Fluid Power (India) Pvt. Ltd (99.97%)
    (remaining 0.03% held by Interpump Hydraulics India Ltd)
  - Walvoil Fluid Power France Sarl
  - Walvoil Fluid Power Australasia
  - Galtech Canada Inc.
  - Walvoil Fluid Power (Dongguan) Co. Ltd
  - HTIL
- Tubiflex SpA
- Transtecno Srl (60%)
  - Intecno Srl (81%)
  - Transtecno BV (51%)
    - Transtecno Aandrijftechniek BV (51%)
  - Transtecno Iberica (50.4%)
  - MA Transtecno SAPI de C.V. (50.4%)
    - Transtecno USA LLC
  - Hangzhou Transtecno Power Transmissions (72%)
- Interpump Piping GS Srl
  - GS-Hydro AB
  - GS-Hydro Denmark AS
  - GS-Hydro UK Ltd
  - GS-Hydro System GmbH
  - GS-Hydro Sp ZOO
  - GS-Hydro Austria GmbH
  - GS-Hydro S.A.U.
    - Suministros Franquesa S.A. ❗
  - GS-Hydro Benelux B.V.
  - GS-Hydro Korea Ltd.
  - GS-Hydro Singapore Pte Ltd.
  - GS-Hydro do Brasil S.H. Ltda
- Reggiana Riduttori Srl
  - RR India Pvt. Ltd. (99.99%)
  - RR Pacific PTY Ltd.
  - RR Slovakia A.S.
  - RR USA Inc.
  - RR Canada Inc.
  - Reggiana Riduttori (Suzhou) Co. Ltd.
  - RR Holland BV
  - RR France Sarl (95%)

❗ Not consolidated line-by-line

✖ Dormant, being wound up, or otherwise inactive

ALTERNATIVE PERFORMANCE MEASURES

The Group uses several alternative measures that are not identified as accounting parameters in the framework of IFRS standards, to allow better evaluation of the trend of economic operations and the Group's financial position; such measures are also tools that can assist the directors in identifying operating trends and in making decisions on investments, resource allocation and other business matters. Therefore, the measurement criterion applied by the Group may differ from the criterion adopted by other groups and hence may not be comparable with it. Such alternative performance measures are constituted exclusively starting from the Group's historical data and measured in compliance with the matters established by the Guidelines on Alternative Performance Measures issued by ESMA/2015/1415 and adopted by Consob with communication no. 92543 of 3 December 2015. The measures in question refer only to performance in the accounting period illustrated in this Annual Financial Report and the periods placed in comparison with it, and not to the expected performance and they must not be considered to replace the indicators provided by the reference accounting standards (IFRS). Finally, the alternative measures are processed continuously and with uniformity of definition and representation for all the periods for which financial information is included in this Annual Financial Report.

The performance indicators used by the Group are defined as follows:

- **Earnings/(Losses) before interest and tax (EBIT)**: Net sales plus Other operating income less Operating costs (Cost of sales, Distribution costs, General and administrative expenses, and Other operating costs);
- **Earnings/(Losses) before interest, tax, depreciation and amortization (EBITDA)**: EBIT plus depreciation, amortization, writedowns and provisions;
- **Net indebtedness (Net financial position)**: calculated as the sum of Loans obtained and Bank borrowing less Cash and cash equivalents;
- **Capital expenditure (CAPEX)**: the sum of investment in property, plant and equipment and intangible assets, net of divestments;
- **Free Cash Flow**: the cash flow available for the Group, defined as the difference between the cash flow of operating activities and the cash flow for investments in tangible and intangible fixed assets;
- **Capital employed**: calculated as the sum of shareholders' equity and net financial position, including debts for the acquisition of equity investments;
- **Return on capital employed (ROCE)**: EBIT / Capital employed;
- **Return on equity (ROE)**: Net profit / Shareholders' equity.

The Group's income statement is prepared by functional area (also called the "cost of sales" method). This form is deemed to be more representative than its “type of expense” counterpart, which is nevertheless included in the notes to the Annual Financial Report. The chosen form, in fact, complies with the internal reporting and business management methods.

The cash flow statement was prepared using the indirect method.

Consolidated income statements

(€/000)	*2020*	*2019*
Net sales	**1,294,363**	**1,368,618**
Cost of sales	(830,878)	(866,701)
Gross industrial margin	**463,485**	**501,917**
% on net sales	*35.8%*	*36.7%*
Other operating revenues	18,583	20,115
Distribution costs	(113,353)	(124,323)
General and administrative expenses	(147,150)	(145,556)
Other operating costs	(13,906)	(4,939)
EBIT	**207,659**	**247,214**
% on net sales	*16.0%*	*18.1%*
Financial income	16,178	15,062
Financial charges	(21,372)	(18,038)
Equity method contribution	101	(8)
Profit for the year before taxes	**202,566**	**244,230**
Income taxes	(29,295)	(63,628)
Consolidated net profit for the year	**173,271**	**180,602**
% on net sales	*13.4%*	*13.2%*
Pertaining to:		
Parent company's shareholders	170,980	179,170
Subsidiaries' minority shareholders	2,291	1,432
Consolidated profit for the year	**173,271**	**180,602**
EBITDA	**294,055**	**317,890**
% on net sales	*22.7%*	*23.2%*
Shareholders' equity	1,149,977	1,055,074
Net indebtedness	269,500	370,814
Payables for the acquisition of investments	62,686	54,286
Capital employed	1,482,163	1,480,174
ROCE	**14.0%**	**16.7%**
ROE	**15.1%**	**17.1%**
Basic earnings per share	**1.596**	**1.699**

NET SALES

Net sales in 2020 totaled €1,294.4m, down by 5.4% from €1,368.6m in 2019 (-14.1% at unchanged perimeter and -12.6% net also of exchange differences).

The following table gives a breakdown of sales by business sector and geographical area:

(€/000)	Italy	Rest of Europe	North America	Far East and Oceania	Rest of the World	Total
2020						
Hydraulic Sector	164,095	313,234	210,552	114,075	79,614	881,570
Water Jetting Sector	35,968	153,994	128,698	58,723	35,410	412,793
Total	200,063	467,228	339,250	172,798	115,024	1,294,363
2019						
Hydraulic Sector	179,158	323,390	225,427	87,348	86,924	902,247
Water Jetting Sector	41,897	163,579	145,602	69,446	45,847	466,371
Total	221,055	486,969	371,029	156,794	132,771	1,368,618
2020/2019 percentage changes						
Hydraulic Sector	-8.4%	-3.1%	-6.6%	+30.6%	-8.4%	-2.3%
Water Jetting Sector	-14.2%	-5.9%	-11.6%	-15.4%	-22.8%	-11.5%
Total	-9.5%	-4.1%	-8.6%	+10.2%	-13.4%	-5.4%
2020/2019 at unchanged perimeter (%)						
Hydraulic Sector	-17.8%	-15.2%	-17.7%	-1.5%	-16.4%	-15.1%
Water Jetting Sector	-17.3%	-6.8%	-11.7%	-15.9%	-23.1%	-12.2%
Total	-17.7%	-12.4%	-15.3%	-7.9%	-18.7%	-14.1%

PROFITABILITY

The cost of sales accounted for 64.2% of turnover (63.3% in 2019). Production costs totaled €331.1m (€357.8m in 2019, which however did not include the costs of the Transtecno Group, the Reggiana Riduttori Group for nine months, Servizi Industriali for six months, Pioli for three months and Hydra Dyne for two months), accounting for 25.6% of sales (26.1% in 2019). The purchase cost of raw materials and components sourced on the market, including changes in inventories, was €499.7m (€508.9m in 2019, which however did not include the costs of the Transtecno Group, the Reggiana Riduttori Group for nine months, Servizi Industriali for six months, Pioli for three months and Hydra Dyne for two months). The incidence of purchase costs, including changes in inventories, was 38.6% compared to 37.2% in 2019.

Distribution costs were 16.4% lower at unchanged perimeter (-14.6% also net of exchange differences) with respect to 2019, with an incidence on sales that fell by 0.2 percentage points.

General and administrative expenses fell by 8.3% at unchanged perimeter with respect to 2019 (-7.1% also net of exchange differences), while their incidence on sales rose by 0.8 percentage points.
Total payroll costs were €309.1m (€319.8m in 2019, which however did not include the costs of the Transtecno Group, the Reggiana Riduttori Group for nine months, Servizi Industriali for six months, Pioli for three months and Hydra Dyne for two months). At unchanged perimeter, payroll costs fell by 9.8% following an 11.3% per capita cost reduction, mainly due to the recourse made

to layoff funds during the COVID shutdown, that was partially offset by an increase of 117 in the average headcount. The total number of Group employees in 2020 averaged 7,415 (7,038 at unchanged perimeter) compared to 6,921 persons in 2019. The increase in average headcount in 2020, net of the personnel of the newly acquired companies, breaks down as follows: plus 78 in Europe, minus 24 in the US and plus 63 in the Rest of the World.

EBITDA totaled €294.1 million (22.7% of sales) compared to €317.9m in 2019, which represented 23.2% of sales. EBITDA accounted for 22.9% of sales at unchanged perimeter. The following table shows EBITDA by business sector:

	2020 €/000	*% on total sales**	*2019 €/000*	*% on total sales**	*Increase/ Decrease*
Hydraulic Sector	183,473	20.8%	187,168	20.7%	-2.0%
Water Jetting Sector	110,582	26.7%	130,722	27.9%	-15.4%
Total	***294,055***	***22.7%***	***317,890***	***23.2%***	***-7.5%***

* = Total sales include those to other Group companies in the other sector, while the sales analyzed previously are exclusively those external to the Group (see Note 2 in the explanatory notes). For comparability, the percentage is calculated on total sales, rather than the net sales shown earlier.

EBIT was €207.7m (16.0% of sales) compared to €247.2m in 2019 (18.1% of sales).

The tax rate for the year was 14.5% (26.1% in 2019). Tax benefits were obtained in 2020 following the revaluation of plant and machinery by certain Italian group companies and the tax redemption of goodwill by Interpump Group S.p.A. Net of these one-off benefits, the tax rate would have been 25.1%.

Net profit for 2020 totaled €173.3m (€180.7m in 2019). Basic earnings per share declined from EUR 1.699 in 2019 to EUR 1.596 in 2020.

CASH FLOW

The change in net indebtedness breaks down as follows:

	2020	*2019*
	€/000	*€/000*
Opening net financial position	**(370,814)**	**(287,339)**
Adjustment: effect of IFRS 16 on the initial net financial position	-	(68,509)
Adjustment: opening net cash position of companies not consolidated line by line at the end of the prior year	(2,223)	-
Adjusted opening net financial position	**(373,037)**	**(355,848)**
Cash flow from operations	228,565	233,063
Principal portion of leasing installments paid (IFRS 16)	(18,214)	(15,324)
Cash flow generated (absorbed) by the management of commercial working capital	54,890	(31,812)
Cash flow generated (absorbed) by other current assets and liabilities	(2,580)	11,271
Investment in tangible fixed assets	(58,571)	(72,517)
Proceeds from the sale of tangible fixed assets	1,542	1,936
Investment in other intangible assets	(4,366)	(3,073)
Received financial income	1,069	850
Other	1,434	430
Free cash flow	***203,769***	***124,824***
Acquisition of investments, including received debt and net of treasury shares assigned	(49,046)	(38,969)
Dividends paid	(28,322)	(23,876)
Outlays for the purchase of treasury shares	(48,488)	(78,993)
Proceeds from the sale of treasury shares to beneficiaries of stock options	14,480	3,823
Principal portion of leasing installments paid (IFRS 16)	18,214	15,324
Principal portion of new leasing contracts arranged (IFRS 16)	(11,045)	(16,420)
Remeasurement and early close-out of leasing contracts (IFRS 16)	5,267	247
Loans (granted by)/repaid to non-consolidated subsidiaries	-	(494)
Change in other financial assets	(11)	(126)
Net cash generated (used)	***104,818***	***(14,660)***
Exchange differences	(1,281)	(306)
Closing net financial position	**(269,500)**	**(370,814)**

Net liquidity generated by operations totaled €228.6m (€233.1m in 2019). Free cash flow was €203.8m (€124.8m in 2019), up by 63.2%. As a result, net debt fell by €101.3m, despite outflows of €49.0m to purchase equity investments, €48.5m to acquire treasury shares and €28.3m as dividends.

The net indebtedness/EBITDA ratio has fallen to 0.92, which is very reassuring and leaves ample room for future acquisitions, consistent with the DNA of the Interpump Group.

The net financial position, excluding the debts and commitments illustrated below, can be broken down as follows:

	31/12/2020	31/12/2019	01/01/2019
	€/000	€/000	€/000
Cash and cash equivalents	343,170	233,784	118,140
Bank payables (advances and STC amounts)	(10,592)	(22,076)	(21,404)
Interest-bearing financial payables (current portion)	(181,603)	(195,110)	(151,917)
Interest-bearing financial payables (non-current portion)	(420,475)	(387,412)	(232,158)
Total	**(269,500)**	**(370,814)**	**(287,339)**

The Group also has contractual commitments for the purchase of shareholdings in subsidiaries totaling €62.7m (€54.3m at 31 December 2019). Of this amount, €3.2m relates to the acquisition of equity investments (€19.5m at 31 December 2019), while €59.5m relates to contractual agreements for the acquisition of residual interests in subsidiaries (€34.8m at 31 December 2019). The increase mainly comprises the Transtecno put options.

GROUP STATEMENT OF FINANCIAL POSITION

Capital employed eased from €1,480.2m at 31 December 2019 to €1,482.2m at 31 December 2020, principally due to the reduction of working capital, as offset by the acquisition of the Transtecno Group. ROCE was 14.2% (16.7% in 2019). ROE was 15.1% (17.1% in 2019).

The statement of financial position is reclassified below by sources and uses of funds:

	31/12/2020 (€/000)	*%*	*31/12/2019 (€/000)*	*%*
Trade receivables	261,707		284,842	
Net inventories	376,596		408,443	
Other current assets	33,933		33,414	
Trade payables	(154,098)		(157,413)	
Short-term tax payables	(14,483)		(14,965)	
Short-term portion for provisions for risks and charges	(4,739)		(4,055)	
Other short-term liabilities	(65,271)		(67,747)	
Net working capital	**433,645**	**29.3**	**482,519**	**32.6**
Net intangible and tangible fixed assets	519,991		516,885	
Goodwill	549,168		508,670	
Other financial fixed assets	2,269		4,226	
Other non-current assets	62,456		38,419	
Liabilities for employee benefits	(23,809)		(21,402)	
Medium/long-term portion for provisions for risks and charges	(10,415)		(3,057)	
Other medium/long-term liabilities	(51,142)		(46,086)	
Total net fixed assets	**1,048,518**	**70.7**	**997,655**	**67.4**
Total capital employed	**1,482,163**	**100**	**1,480,174**	**100**

	31/12/2020 (€/000)	*%*	*31/12/2019 (€/000)*	*%*
Financed by:				
Group shareholders' equity	**1,139,575**		1,049,399	
Minority interests	10,402		5,735	
Total shareholders' equity	**1,149,977**	**77.6**	**1,055,074**	**71.3**
Cash and cash equivalents	(343,170)		(233,784)	
Bank payables	10,592		22,076	
Short-term interest-bearing financial payables	181,603		195,110	
Short-term payable for purchase of investments	8,467		22,483	
Total short term financial payables (cash)	**(142,508)**	**-9.6**	**5,885**	**0.4**
Medium/long-term interest-bearing financial payables	420,475		387,412	
Medium/long-term payable for the acquisition of equity investments	54,219		31,803	
Total medium/long-term financial payables	**474,694**	**32.0**	**419,215**	**28.3**
Total sources of financing	**1,482,163**	**100**	**1,480,174**	**100**

Interpump Group's equity structure is balanced, with a leverage index of 0.29 (0.40 at 31 December 2019). The leverage index is calculated as the ratio between the short and medium/long-term financial payables and shareholders' equity inclusive of minority interests.

CAPITAL EXPENDITURE

Expenditure on property, plant and equipment totaled €82.5m, of which €14.7m via the acquisition of equity investments (€127.6m in 2019, of which €26.8m via the acquisition of equity investments). The additions during the year are analyzed in the following table:

€/000	*2020*	*2019*
Increases for the purchase of fixed assets used in the production process	51,254	78,104
Increases for machinery rented to customers	5,465	6,278
Leased assets	11,071	16,421
	67,790	100,803
Increases through the acquisition of equity investments	14,713	26,844
Total increases in the year	82,503	127,647

The increases in 2020 include €16.2m invested in land and buildings (€26.7m in 2019).

The difference with respect to the expenditure recorded in the cash flow statement is due to the timing of payments.

Increases in intangible assets totaled €20.0m, of which €15.6m through the acquisition of equity investments (€5.8m in 2019, including €2.6m via the acquisition of equity investments). The increase in 2020 includes the fair value of the trademarks obtained by acquiring the Reggiana Riduttori Group and the Transtecno Group, €15.2m, while the remainder mainly relates to investment in new product development. The value of the Reggiana Riduttori trademark has been recognized in 2020, as the information needed for its measurement was not available in 2019, when that Group was acquired; as a consequence, the related PPA has been revised.

RESEARCH AND DEVELOPMENT

The Group considers research and development activities as one of the main factors of success and a source of competitive advantage on international markets. In 2020 the Group made significant investments, aimed at placing new product ranges on the market, at optimizing and customizing existing products, and at developing new technological and circuit solutions. In particular, the design and development of new high pressure pumps and related accessories for the Water Jetting Sector is carried out by the parent company Interpump Group S.p.A. In 2020, 6 new projects were completed concerning new pump versions, mechanical components for high and very high pressure pumps, and applications for the food processing and pharmaceuticals industries; in addition, work commenced on 4 new projects. Development activities concerning new very high pressure pumps and systems for the Water Jetting sector are instead carried out by Hammelmann and Inoxihp. In 2020 Hammelmann completed 4 new projects for new families of very high pressure pumps and systems, while Inoxihp developed a new type of volumetric pump for descaling applications suitable for installations that still require centrifugal pumps due to the high volume of water needed.

R&D activities in the Hydraulic Sector are also carried out by Walvoil, Interpump Hydraulics and IMM. 2020 saw the development of new gear pumps, valves and electro-valves, servo controls and other hydraulic components and the continued development of new technologies applied to the manufacturer of hoses, fittings and other components of higher quality and performance levels than currently available. Again in the Hydraulic sector, the newly-acquired Transtecno expanded its range of gears during 2020 and also developed new ancillary components for them.

Group strategy over the next few years is to continue with high levels of expenditure in the area of research and development in order to assure renewed impetus to structured growth. Research costs have been capitalized in accordance with their multi-annual usefulness. Product development costs capitalized in 2020 amounted to €2,528k (€1,774k in 2019), while the costs for design personnel charged to the income statement totaled €24,175k (€22,818k in 2019).

SUSTAINABILITY

In the context of its production activities and having regard for the specific characteristics of each country in which it operates, the Group strives to build a sustainable economy that will generate benefits over the long term. The Group dedicates particular attention to the various aspects of social responsibility, as this plays an important role in the context of conducting business in a manner that safeguards the environment.
In carrying out its activities, the Interpump Group draws inspiration from the 10 principles issued by the United Nations Global Compact (UNGC) on human rights, employment, the environment and the fight against corruption.
The Group has implemented various initiatives in this context. Specifically, the Interpump Group has adopted the policies and Models outlined briefly below.

Policies
The Code of Ethics, adopted by all Group companies based on the social and cultural realities in each country, sets down principles of conduct and guidelines for sustainability (Environmental, Social & Governance), as well as the "whistle-blowing policy", which governs the processes of reporting and managing possible improper or unlawful conduct. Top management has also deemed it appropriate to formalize Group policies with reference to the non-financial aspects of the greatest significance for IPG, taking into account the marked diversification of the

companies/production sites and their independence. For further details, see the Global Compliance Programs described in the next heading.

Organization and management model

Given the corporate structure of the Interpump Group, composed of multiple companies, some of which small, operating in different countries with diversified areas of business, as well as the dynamicity of the Group, also in its consolidation perimeter, as of today it is not deemed appropriate to define a centralized model for the management of sustainability-related topics, which are currently addressed according to the specific socio-cultural contexts.

Interpump Group S.p.A. has adopted an *Organization and Management Model in compliance with Decree 231/2001* ("231 Model"). Together with the Code of Ethics, this constitutes an additional valid instrument for promoting awareness among all collaborators, both within and external to the Company. Specifically, the 231 Model and the Code of Ethics lay down the foundations and values that guide collaborators in their activities, encouraging them to behave in a proper and transparent manner which is in line with the ethical-social values established by the Group in pursuit of its corporate objects and that, in any event, prevents the risk of committing the offenses envisaged in Decree 231/2001. The 231 Model has also been implemented, after using the same methodology to assess the risk of committing the offenses identified in the Model, by those Italian subsidiaries that, considering their size and organizational complexity, have relatively greater exposure to the offenses considered in Decree 231/2001.

Interpump Group has decided to implement a Global Compliance Program, with the dual objectives of, on the one hand, extending the principles of conduct and rules of behavior envisaged in the 231 Model to the foreign companies and the Italian companies within the Group that do not need to adopt that Model and, on the other, to achieve ever greater levels of compliance with all applicable regulations and legislation, in adherence with a spirit of legality and ethical business conduct. The Global Compliance Program defines a model for the organization and management of activities in line with international Best Practices, to prevent misconducts in the following areas: *environment, social, personnel, human rights, and the fight against both active and passive corruption.* The Global Compliance Program comprises guidelines that define the principles and rules of conduct to be followed, in order to organize and manage companies in compliance with the applicable regulations and respects the concepts of legality and ethical conduct in business practices.

The GCPs take account of international best practices, the ten principles issued by the United Nations Global Compact (UNGC); the OECD Convention on combating the bribery of Foreign Public Officials in international business transactions; the UN Convention against corruption and ILO Convention 138.

Several Group companies have adopted and implemented quality management systems certified in compliance with international standard EN ISO 9001; some facilities are certified to UNI ISO/TS 16949:2009. In addition, several companies have adopted and implemented environmental management systems certified in compliance with international standard EN ISO 14001:2004 – in certain cases the system update process has been launched to comply with the new requirements of standard 14001:2015 – and safety management systems certified in compliance with international standard ISO 45001.

Interpump top management recognizes, as an essential principle, respect for the laws and regulations in force in the countries of operation of the Group companies, where they are required to comply with the laws and regulations in question, without any derogation possible.

The Board of Directors is responsible for the strategic leadership of Corporate Social Responsibility matters within the Interpump Group, with investigative assistance from the Control, Risks and Sustainability Committee, while the General Managers are responsible for the operational implementation of individual initiatives.

Specific initiatives promoted by individual Group companies during 2020 included, in the social area: the continuation of internships/apprenticeships (work experience for school students, professional internships, curricula internships for university students), other collaboration with schools and universities and the donation of IT equipment; in the environmental area: further efforts to save energy, lower water consumption and reduce the generation of waste - including the reduction of CO_2 emissions - via industrial restructuring projects (linked to Industry 4.0), the installation of PV plants, the implementation of plastic-free policies and the application of job bicycle policies for travel between home and work.

EXPOSURE TO RISKS, UNCERTAINTIES AND FINANCIAL RISK FACTORS

The Group is exposed to the normal risks and uncertainties of any business activity. The markets in which the Group operates are world niche markets in many cases, with limited dimensions and few significant competitors. These characteristics constitute a major barrier to the entry of new competitors, due to significant economy of scale effects against the backdrop of somewhat uncertain economic returns for potential new entrants. The Interpump Group enjoys a position of world leadership in the fields of high and very-high pressure pumps and power take-offs: these positions mitigate the risks and uncertainties of the business venture.

The following is an illustration of the financial risk factors to which the Group is exposed:

(a) Market risks

(i) Exchange rate risk

The Group has subsidiaries in 34 countries and converts financial statements in 26 currencies other than the euro. Accordingly, the Group is primarily exposed to the risk deriving from translation of the financial statements of the companies in question.

The Group operates internationally and mostly manufactures in the countries of the destination markets. As such, the majority of local currency revenues are naturally absorbed by costs incurred in the same local currency. On a residual level however, the Group is exposed to the exchange risk originating from sales made in other currencies with respect to costs incurred in local currency.

In order to manage exchange rate risk generated by forecasts of future commercial transactions stated in a currency other than the Group's functional currency (euro), Group companies can use plain vanilla forward contracts or purchase options, when deemed appropriate. The counterparties of these contracts are primary international financial institutions with high ratings.

Notably, the Group is exposed in US dollars, mainly due to sales to its US subsidiaries and, to a lesser extent, due to sales to third party clients. The Group also has limited exposures that are mainly denominated in Australian dollars, Canadian dollars, Chinese renminbi, Brazilian reals, Indian rupees, Romanian leu, Korean won, Russian rubles, Danish kroner, Swedish kronas and UK Sterling, principally relating to commercial transactions between Group companies. It is current Group policy not to hedge recurring commercial transactions, taking out exchange risk hedges only in the event of those that are non-recurring, either in terms of amount or of the frequency with which they occur.

In relation to financial exposures, €1.6m of intercompany loans were disbursed and €2.0m collected during 2020 in currencies other than those utilized by the debtor companies. At 31 December 2020 loans granted in currencies other than those used by the debtor companies total €26.7m, down by €0.3m since 31 December 2019. Once again in 2020, the Group made the strategic decision not to hedge these exposures.

(ii) *Interest rate risk*
Interest rate risk derives from medium/long-term loans granted at floating rates. It is currently Group policy not to arrange hedges, in view of the short average duration of the existing loans (around 3.5 years).

(b) Credit risk
The Group does not have any significant credit concentrations. It is Group policy to sell to customers only after their credit potential has been checked and hence within predefined credit limits. Historically, the group has not incurred any major losses for bad debts.

(c) Liquidity risk
Prudent management of liquidity risk involves the retention of an appropriate level of cash on hand and sufficient access to lines of credit. Because of the dynamic nature of the Group's business with the associated frequent acquisitions, it is Group policy to have access to stand-by lines of credit that can be utilized at very short notice.

(d) Price and cash flow risk
The Group is subject to constant changes in metal prices, especially brass, aluminum, steel, stainless steel and cast iron. Group policy is to hedge this risk where possible by way of medium-term commitments with suppliers, or by means of stocking policies when prices are low, or by entering into agreements with customers to transfer the risk to them.

The Group does not hold listed securities that would be subject to stock market fluctuations. The revenues and cash flow of Group operating activities are not influenced by changes in interest generating assets.

CORPORATE GOVERNANCE

In relation to corporate governance, Interpump Group's model is based on the provisions of the Corporate Governance Code promoted by Borsa Italiana S.p.A., published in January 2020, to which Interpump Group has adhered. The Company's Corporate Governance report can be found in the Corporate Governance section of the website www.interpumpgroup.it.

The following table provides information on the number of shares held by the directors and statutory auditors, as required by the combined provisions of art. 123-(2), subsection 1.c), and art. 123-(3), subsection 4, TUF:

Name	Company issuer	Number of shares held at the end of the prior year	Number of shares purchased/ subscribed	Number of shares sold/ contributed	Number of shares held at the end of the year
Fulvio Montipò					
Held directly	Interpump Group S.p.A.	635,233	1,000,000	(1,000,000) [1]	635,233
Held via subsidiaries (Gruppo IPG Holding S.p.A.).	Interpump Group S.p.A.	-		-	26,406,799[2]
Victor Gottardi					
Held directly	Interpump Group S.p.A.	-	4,000	(4,000)	-

[1] During 2020, Fulvio Montipò, Chairman and Chief Executive Officer of Interpump Group S.p.A., contributed 1,000,000 shares in Interpump Group S.p.A., received on the exercise of stock options, to Gruppo IPG Holding S.p.A.

[2]On 31 December 2020, Fulvio Montipò exercised indirect control over Gruppo IPG Holding S.p.A. (with 67.825% of share capital) which, in turn, held 26,406,799 shares in Interpump Group S.p.A., equivalent to 24.253% of the share capital. The remainder of the share capital of Gruppo IPG Holding S.p.A., 32.175%, was held by Tamburi Investment Partners S.p.A., in which Giovanni Tamburi (Deputy Chairman of the Board of the Board of Directors of Interpump Group S.p.A. and Sole Director of Gruppo IPG Holding S.p.A.) is the Chairman of the Board of Directors and Chief Executive Officer.

Gruppo IPG Holding S.p.A., domiciled in Milan, held around 24.253% of Interpump Group S.p.A. at 31 December 2020, resulting in the fact that it controls the Group even though it does not perform activities of management and coordination. The resolution adopted by the Board of Directors of Interpump Group S.p.A. on 12 June 2008 acknowledges that "Interpump Group S.p.A." is not subject to management or coordination by "Gruppo IPG Holding S.p.A." because:

- the shareholder has no means or facilities for the execution of such activities, having no employees or other personnel capable of providing support for the activities of the Board of Directors;
- the shareholder does not prepare the budgets or business plans of Interpump Group S.p.A.;
- it does not issue any directives or instructions to its subsidiary, nor does it require to be informed beforehand or to approve either its most significant transactions or its routine administration;
- there are no formal or informal committees or work groups in existence, formed of representatives of Gruppo IPG Holding and representatives of the subsidiary.

At the date of this report there were no changes in relation to the conditions stated above.

STOCK OPTION PLANS

With the aim of motivating Group management and promoting participation in the goal of value creation for shareholders, there are currently two stock option plans in existence, one approved at the Shareholders' Meeting of 28 April 2016 (**2016/2018** plan) and one approved at the Shareholders' Meeting of 30 April 2019 (**2019/2021** plan).

The Shareholders' Meeting held on 28 April 2016 approved the adoption of an incentive plan known as the "**2016/2018** Interpump Incentive Plan". The plan, which is based on the free assignment of options that grant the beneficiaries the right, on the achievement of specified objectives, to (i) purchase or subscribe the Company's shares up to the maximum number of 2,500,000 or, (ii) at the discretion of the Board of Directors, receive the payment of a differential equivalent to any increase in the market value of the Company's ordinary shares. Beneficiaries of the plan can be employees or directors of the Company and/or its subsidiaries, identified among persons having significant roles or functions. The exercise price has been established at EUR 12.8845 per share, which was their market value on the plan approval date. The options can be exercised between 30 June 2019 and 31 December 2022. The next meeting of the Board of Directors, held on 12 May 2016, set a figure of 2,500,000 for the number of options to be assigned, divided by the total number of options in each tranche (625,000 for the first tranche, 875,000 for the second tranche and 1,000,000 for the third tranche) and established the terms for the exercise of the options, which are connected to the achievement of specific accounting parameters and the performance of Interpump Group stock. The same Board meeting also assigned 1,620,000 options, exercisable subject to the conditions described above, and granted mandates to the Chairman and the Deputy Chairman of Interpump Group, acting separately, to identify the beneficiaries of a further 880,000 options. On 6 and 29 July 2016, 13 December 2016 and 9 November 2017 a total of 531,800 options were assigned to other beneficiaries identified within the Interpump Group.

At 31 December 2020 the situation of the plan was as follows:

Number of rights assigned	2,151,800
Number of rights canceled	(45,000)
Number of shares purchased	(1,392,600)
Total number of options not yet exercised at 31/12/2020	714,200

The beneficiaries of the options were:

	Price per share for the exercise of options	Vesting period	Number of rights assigned, start of year	Number of rights canceled in the year	Number of rights exercised in the year	Number of options exercisable at year end
Directors of the Parent Company						
❑ Fulvio Montipò	€ 12.8845	01.07.2019-31.12.2022	1,620,000	-	(1,000,000)	620,000
Other beneficiaries (employees)	€ 12.8845	01.07.2019-31.12.2022	218,050	-	(123,850)	94,200
Total			1,838,050	-	(1,123,850)	714,200

The Shareholders' Meeting held on 30 April 2019 approved a new stock option plan entitled "2019/2021 Interpump Incentive Plan", which calls for the allocation of no more than 2,500,000 options having an exercise price of EUR 28.4952 and, for options assigned after 30 April 2020, at the official price established by Borsa Italiana on the day before the date of assignment. The options can be exercised between 30 June 2022 and 31 December 2025. The meeting of the Board of Directors held on 27 June 2019 set a figure of 2,500,000 for the number of options to be assigned, divided by the total number of options in each tranche (750,000 for the first tranche, 875,000 for the second tranche and 875,000 for the third tranche) and established conditions for exercising the options that are linked to the achievement of specific financial statement parameters; in addition, 1,800,000 shares were assigned to Fulvio Montipò and 418,500 options were assigned to other beneficiaries. Overall, a total of 2,218,500 options have therefore been assigned. The options can be exercised from 30 June 2022 to 31 December 2025. At 31 December 2020 the situation of the plan was as follows:

Number of rights assigned, start of year	2,218,500
Number of rights canceled	(90,600)
Number of rights assigned in 2020	20,000
Total number of options not yet exercised at 31/12/2020	2,147,900

RELATIONS WITH GROUP COMPANIES AND TRANSACTIONS WITH RELATED PARTIES

With regard to transactions entered into with related parties, including intercompany transactions, we point out that they cannot be defined as either atypical or unusual, inasmuch as they form part of the normal course of activities of the Group companies. These transactions are regulated at arm's length conditions, taking into account the characteristics of the assets transferred and services rendered.

Information on relations with related parties, including the information required by Consob communication of 28 July 2006, is given in Note 33 to the Annual Financial Report.

The Board of Directors of Interpump Group S.p.A. has approved the Procedure for Transactions with Related Parties, in application of the new legislation issued to transpose the relevant European Council Directive and the related Consob Regulation. Further information is provided in the report on corporate governance and the ownership structure, which can be found in the Corporate Governance section of the website www.interpumpgroup.it.

TREASURY SHARES

At 31 December 2020 the Parent company held 2,222,356 shares, representing 2.041% of capital, acquired at an average unit cost of EUR 28.1408.

RECONCILIATION WITH THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

The consolidated shareholders' equity and net profit attributable to the owners of the Parent company are reconciled below with the equivalent amounts reported in the separate financial statements:

	Shareholders' equity at 31/12/2020	Net profit for 2020	Shareholders' equity at 31/12/2019
Parent Company's financial statements	514,643	101,802	457,900
Difference between the book value of consolidated investments and their valuation according to the net equity method	626,537	68,856	593,366
Greater book value of a building owned by the Parent Company	178	(4)	182
Elimination of Parent Company's intercompany profits	(1,783)	326	(2,109)
Total consolidation adjustments	624,932	69,178	591,439
Consolidated shareholders’ equity and net profit attributable to the owners of the Parent Company	1,139,575	170,980	1,049,339

GROUP COMPANIES

At 31 December 2020 the Interpump Group is led by Interpump Group S.p.A., which holds direct and indirect controlling interests in 107 companies (3 of which are dormant and/or in liquidation) operating in two business segments (known as the Hydraulic Sector and the Water Jetting Sector).

The Parent company, with registered offices in Sant’Ilario d’Enza, mainly produces high and very high pressure plunger pumps for water, as well as high pressure cleaners, which are classified in the Water Jetting Sector.

The main data of the consolidated subsidiaries are summarized in the table below, whereas for the Parent Company the data are provided in the financial report attached hereto.

Companies consolidated line by line	Share capital (€/000)	% held at 31/12/20	Head office	Main activity	Sales €/million 31/12/2020	Sales €/million 31/12/2019	Average number of employees 2020	Average number of employees 2019
GP Companies Inc.	1,854	100.00%	Minneapolis - USA	Distributor of high pressure pumps (Water Jetting Sector)	51.7	53.8	63	64
Hammelmann GmbH	25	100.00%	Oelde - Germany	High pressure systems and pumps (Water Jetting Sector)	102.2	116.8	379	374
Hammelmann Australia Pty Ltd	472	100.00%	Melbourne - Australia	Sale of high pressure systems and pumps (Water Jetting Sector)	12.2	12.1	26	24
Hammelmann Corporation Inc.	39	100.00%	Miamisburg - USA	Sale of high pressure systems and pumps (Water Jetting Sector)	18.3	20.3	27	29
Hammelmann S. L.	500	100.00%	Zaragoza - Spain	Sale of high pressure systems and pumps (Water Jetting Sector)	3.2	4.2	8	6
Hammelmann Pumps Systems Co Ltd	871	90.00%	Tianjin - China	Sale of high pressure systems and pumps (Water Jetting Sector)	11.1	16.9	30	22
Hammelmann Bombas e Sistemas Ltda	1,515	100.00%	San Paolo - Brazil	Sale of high pressure systems and pumps (Water Jetting Sector)	1.1	0.6	5	6
Hammelmann France	50	100.00%	Etrichè – France	Sale of high pressure systems and pumps (Water Jetting Sector)	4.0	3.5 a)	4	3
Hammelmann Swiss GmbH	89	100.00%	Dudingen - Switzerland	Sale of high pressure systems and pumps (Water Jetting Sector)	2.2	1.4 b)	2	2
Inoxihp S.r.l.	119	52.72%	Nova Milanese (MI)	Production and sale of very high pressure systems and pumps (Water Jetting Sector)	7.5	10.5	37	37
NLB Corporation Inc.	12	100.00%	Detroit - USA	Production and sale of very high pressure systems and pumps (Water Jetting Sector)	66.1	85.6	212	218
NLB Poland Corp. Sp. Z.o.o.	1	100.00%	Warsaw – Poland	Sale of high pressure systems and pumps (Water Jetting Sector)	1.6	1.6	1	2
Inoxpa S.A.	23,000	100.00%	Banyoles – Spain	Production and sale of machinery for the food, chemical, cosmetics and pharmaceutical industry (Water Jetting Sector)	51.1	46.2	214	177
Inoxpa India Private Ltd	6,779	100.00%	Pune - India	Production and sale of machinery for the food, chemical, cosmetics and pharmaceutical industry (Water Jetting Sector)	10.7	13.2	97	100
Inoxpa Solutions France	2,071	100.00%	Gleize – France	Production and sale of machinery for the food, chemical, cosmetics and pharmaceutical industry (Water Jetting Sector)	9.5	10.4	21	20
Improved Solutions Unipessoal Ltda (Portugal)	760	100.00%	Vale de Cambra – Portugal	Production and sale of machinery for the food, chemical, cosmetics and pharmaceutical industry (Water Jetting Sector)	4.9	5.8	36	38
Inoxpa (UK) Ltd	1,942	100.00%	Eastbourne – United Kingdom	Sale of machinery for the food, chemical, cosmetics and pharmaceutical industry (Water Jetting Sector)	1.3	1.1	4	5

Companies consolidated line by line	Share capital (€/000)	% held at 31/12/20	Head office	Main activity	Sales €/million 31/12/2020	Sales €/million 31/12/2019	Average number of employees 2020	Average number of employees 2019
Inoxpa Solutions Moldova	317	66.67%	Chisinau – Moldova	Sale of machinery for the food, chemical, cosmetics and pharmaceutical industry (Water Jetting Sector)	1.4	1.7	28	32
Inoxpa Australia Proprietary Ltd	584	100.00%	Capalaba – Australia	Sale of machinery for the food, chemical, cosmetics and pharmaceutical industry (Water Jetting Sector)	0.9	1.1	3	3
Inoxpa Colombia SAS	133	83.29%	Bogotá - Colombia	Sale of machinery for the food, chemical, cosmetics and pharmaceutical industry (Water Jetting Sector)	2.9	4.5	16	15
Inoxpa Italia S.r.l.	100	100.00%	Mirano (VE)	Sale of machinery for the food, chemical, cosmetics and pharmaceutical industry (Water Jetting Sector)	-	-	9	8
Inoxpa Middle East FZE	253	60.00%	Dubai – United Arab Emirates	Sale of machinery for the food, chemical, cosmetics and pharmaceutical industry (Water Jetting Sector)	0.2	0.2	3	3
Inoxpa Skandinavien A/S	134	100.00%	Horsens – Denmark	Sale of machinery for the food, chemical, cosmetics and pharmaceutical industry (Water Jetting Sector)	2.2	1.9	5	6
Inoxpa South Africa Proprietary Ltd	104	100.00%	Gauteng – South Africa	Sale of machinery for the food, chemical, cosmetics and pharmaceutical industry (Water Jetting Sector)	3.8	4.9	16	14
Inoxpa Special Processing Equipment Co. Ltd	1,647	100.00%	Jianxing – China	Sale of machinery for the food, chemical, cosmetics and pharmaceutical industry (Water Jetting Sector)	1.3	1.4	5	5
Inoxpa Ukraine	113	100.00%	Kiev – Ukraine	Sale of machinery for the food, chemical, cosmetics and pharmaceutical industry (Water Jetting Sector)	0.5	0.7	4	5
Inoxpa USA Inc.	1,426	100.00%	Santa Rosa – USA	Sale of machinery for the food, chemical, cosmetics and pharmaceutical industry (Water Jetting Sector)	1.8	2.3	5	4
INOXPA LTD	1,435	70.00%	Podolsk - Russia	Sale of machinery for the food, chemical, cosmetics and pharmaceutical industry (Water Jetting Sector)	7.9	9.0	55	56
Pioli s.r.l	10	100.00%	Reggio Emilia	Galvanic treatment of metals (Water Jetting Sector)	2.2	1.8 c)	28	23
Servizi Industriali S.r.l.	100	80.00%	Ozzano Emilia (BO)	Sale of centrifugal separators (Water Jetting Sector)	3.0 d)	-	15	-
SIT S.p.A.	105	65.00%	S.Ilario d'Enza (RE)	Sheet metal drawing, blanking, and pressing (Water Jetting Sector)	3.6	4.2	22	22
Interpump Hydraulics S.p.A.	2,632	100.00%	Calderara di Reno (BO)	Production and sale of power take-offs and hydraulic pumps (Hydraulic Sector)	73.0	89.7	302	299
AVI S.r.l.	10	100.00%	Varedo (MB)	Sale of ancillary products for industrial vehicles, hydraulic pumps and power take-offs (Hydraulic Sector)	4.9	5.9	13	13
Contarini Leopoldo S.r.l.	47	100.00%	Lugo (RA)	Production and sale of hydraulic cylinders (Hydraulic Sector)	22.8	25.9	108	112
Unidrò Contarini S.a.s.	8	100.00%	Barby - France	Production and sale of hydraulic cylinders (Hydraulic Sector)	4.8	4.9	13	13
Copa Hydrosystem Ood	3	100.00%	Troyan - Bulgaria	Production and sale of hydraulic cylinders (Hydraulic Sector)	9.0	9.8	167	176
Hydrocar Chile S.A.	129	90.00%	Santiago - Chile	Sale of hydraulic pumps and power take-offs (Hydraulic Sector)	6.2	9.0	48	53

Companies consolidated line by line	Share capital (€/000)	% held at 31/12/20	Head office	Main activity	Sales €/million 31/12/2020	Sales €/million 31/12/2019	Average number of employees 2020	Average number of employees 2019
Hydroven S.r.l.	200	100.00%	Tezze sul Brenta (VI)	Sale of ancillary products for industrial vehicles, hydraulic pumps and power take-offs (Hydraulic Sector)	21.0	25.3	54	55
Interpump Hydraulics Brasil Ltda	15,126	100.00%	Caxia do Sul - Brazil	Production and sale of power take-offs, hydraulic pumps and cylinders (Hydraulic Sector)	9.7	9.5	119	116
Interpump Hydraulics France S.a.r.l.	76	99.77%	Ennery - France	Sale of hydraulic pumps and power take-offs (Hydraulic Sector)	4.3	5.1	12	15
Interpump Hydraulics India Private Ltd	682	100.00%	Hosur - India	Production and sale of power take-offs and hydraulic pumps (Hydraulic Sector)	10.7	17.7	111	115
Interpump Hydraulics Middle East FZE	326	100.00%	Dubai - United Arab Emirates	Sale of ancillary products for industrial vehicles, hydraulic pumps and power takeoffs (Hydraulic Sector)	1.1	1.6	3	3
Interpump South Africa Pty Ltd	-	100.00%	Johannesburg - South Africa	Production and sale of hydraulic cylinders (Hydraulic Sector)	4.2	5.8	33	37
Interpump Hydraulics (UK) Ltd.	13	100.00%	Kidderminster – United Kingdom	Sale of hydraulic pumps and power take-offs (Hydraulic Sector)	13.6	16.5	74	86
Mega Pacific Pty Ltd	335	65.00%	Newcastle – Australia	Sale of hydraulic products (Hydraulic Sector)	13.2	13.0	38	41
Mega Pacific NZ Pty Ltd	557	65.00%	Mount Maunganui – New Zealand	Sale of hydraulic products (Hydraulic Sector)	1.7	2.4	8	10
Muncie Power Prod. Inc.	784	100.00%	Muncie - USA	Power take-offs and hydraulic pumps (Hydraulic Sector)	94.9	109.2	397	404
American Mobile Power Inc.	3,410	100.00%	Fairmount - USA	Production and sale of hydraulic oil tanks (Hydraulic Sector)	11.6	14.1	79	87
Hydra Dyne Technology Inc.	80	75.00%	Ingersoll - Canada	Production and sale of hydraulic cylinders, valves and rotary unions (Hydraulic Sector)	18.8	21.2 e)	131	120
Oleodinamica Panni S.r.l.	2,000	100.00%	Tezze sul Brenta (VI)	Production and sale of hydraulic cylinders (Hydraulic Sector)	52.7	60.1	234	247
Wuxi Interpump Weifu Hydraulics Company Ltd	2,095	65.00%	Wuxi - China	Production and sale of hydraulic pumps and power take-offs (Hydraulic Sector)	16.1	16.7	57	57
IMM Hydraulics S.p.A.	520	100.00%	Atessa (CH)	Production and sale of hydraulic hoses and fittings (Hydraulic Sector)	53.3	62.2	330	326
Hypress France S.a.r.l.	162	100.00%	Strasbourg - France	Sale of hydraulic hoses and fittings (Hydraulic Sector)	2.8	3.0	8	8
Interpump Fluid Solutions Germany Gmbh	52	100.00%	Meinerzhagen - Germany	Sale of hydraulic hoses and fittings (Hydraulic Sector)	6.3	6.4	20	20
IMM Hydro Est	3,155	100.00%	Catcau Cluj Napoca – Romania	Production and sale of hydraulic hoses and fittings (Hydraulic Sector)	11.5	12.0	162	186

Companies consolidated line by line	Share capital (€/000)	% held at 31/12/20	Head office	Main activity	Sales €/million 31/12/2020	Sales €/million 31/12/2019	Average number of employees 2020	Average number of employees 2019
FGA S.r.l.	10	100.00%	Fossacesia (CH)	Surface treatments (Hydraulic Sector)	1.0	- f)	10	-
Innovativ Gummi Tech S.r.l.	25	60.00%	Ascoli Piceno (AP)	Production and sale of rubber mixtures (Hydraulic Sector)	3.1	- f)	12	-
Tekno Tubi S.r.l.	100	100.00%	Terre del Reno (FE)	Production and sale of rigid and flexible hydraulic lines (Hydraulic Sector)	12.5	15.3	79	85
Tubiflex S.p.A.	515	100.00%	Orbassano (TO)	Production and sale of flexible hoses (Hydraulic Sector)	18.1	24.0	143	146
Walvoil S.p.A.	7,692	100.00%	Reggio Emilia	Production and sale of hydraulic valves and directional controls (Hydraulic Sector)	192.0	248.4	1,201	1,210
Walvoil Fluid Power Corp.	137	100.00%	Tulsa - USA	Sale of hydraulic valves and directional controls (Hydraulic Sector)	46.0	56.6	63	68
Walvoil Fluid Power (India) Pvt Ltd	4,803	100.00%	Bangalore - India	Production and sale of hydraulic valves and directional controls (Hydraulic Sector)	30.4	35.7	351	295
Walvoil Fluid Power Korea Llc	453	100.00%	Pyeongtaek – South Korea	Production and sale of hydraulic valves and directional controls (Hydraulic Sector)	13.4	11.9	51	49
Walvoil Fluid Power France S.a.r.l.	10	100.00%	Vritz - France	Agent for the sale of hydraulic valves and directional controls (Hydraulic Sector)	-	-	4	4
Walvoil Fluid Power Australasia	7	100.00%	Melbourne - Australia	Agent for the sale of hydraulic valves and directional controls (Hydraulic Sector)	-	-	1	1
Galtech Canada Inc.	76	100.00%	Terrebonne Quebec - Canada	Sale of hydraulic valves and directional controls (Hydraulic Sector)	4.7	4.9	16	17
HTIL	98	100.00%	Hong Kong	Subholding (Hydraulic Sector)	-	-	-	-
Walvoil Fluid Power Dongguan Co. Ltd	3,720	100.00%	Dongguan - China	Production and sale of hydraulic valves and directional controls (Hydraulic Sector)	16.1	17.0	114	114
Reggiana Riduttori S.r.l.	6,000	100.00%	S. Polo d'Enza (RE)	Production and sale of power transmission systems: planetary gears, ratiomotors and drive wheels. (Hydraulic Sector)	59.0	15.0 g)	180	44
RR USA Inc.	1	100.00%	Boothwin – USA	Sale of power transmission systems: planetary gears, ratiomotors and drive wheels (Hydraulic Sector)	22.4	6.7 g)	24	6
RR Canada Inc.	1	100.00%	Vaughan – Canada	Sale of power transmission systems: planetary gears, ratiomotors and drive wheels (Hydraulic Sector)	3.4	0.9 g)	6	1
RR Holland BV	19	100.00%	Oosterhout – Netherlands	Sale of power transmission systems: planetary gears, ratiomotors and drive wheels (Hydraulic Sector)	8.7	2.2 g)	14	4
RR France S.a r.l.	400	95.00%	Thouare sur Loire – France	Sale of power transmission systems: planetary gears, ratiomotors and drive wheels (Hydraulic Sector)	2.2	0.9 g)	7	2
RR Slovakia A.S.	340	100.00%	Zvolen – Slovakia	Production and sale of power transmission systems: planetary gears, ratiomotors and drive wheels (Hydraulic Sector)	1.1	0.2 g)	30	7

Companies consolidated line by line	Share capital (€/000)	% held at 31/12/20	Head office	Main activity	Sales €/million 31/12/2020	Sales €/million 31/12/2019	Average number of employees 2020	Average number of employees 2019
RR Pacific Pty	-	100.00%	Victoria – Australia	Sale of power transmission systems: planetary gears, ratiomotors and drive wheels (Hydraulic Sector)	1.8	0.4 g)	6	2
RR India Pvt. Ltd	52	99.99%	New Delhi – India	Sale of power transmission systems: planetary gears, ratiomotors and drive wheels (Hydraulic Sector)	-	- g)	5	1
Reggiana Riduttori (Suzhou) Co Ltd	200	100.00%	Suzhou – China	Sale of power transmission systems: planetary gears, ratiomotors and drive wheels	1.4	- g)	7	1
Transtecno S.r.l.	100	60.00%	Anzola dell'Emilia (BO)	Production and sale of gears and ratiomotors (Hydraulic Sector)	27.6	-	93	-
Intecno S.r.l.	10	81.00%	Anzola dell'Emilia (BO)	Production and sale of gears and ratiomotors (Hydraulic Sector)	4.2	-	11	-
Hangzhou Transtecno Power Transmission Co. Ltd	575	72.00%	Hangzhou – China	Production and sale of gears and ratiomotors (Hydraulic Sector)	27.6	-	172	-
Transtecno Iberica the Modular Gearmotor S.A.	94	50.40%	Gava – Spain	Sale of gears and ratiomotors (Hydraulic Sector)	2.2	-	9	-
MA Transtecno S.A.P.I. de C.V.	124	50.40%	Apodaca – Mexico	Sale of gears and ratiomotors (Hydraulic Sector)	2.7	-	16	-
Transtecno USA LLC	3	100.00%	Miami – USA	Sale of gears and ratiomotors (Hydraulic Sector)	1.0	-	-	-
Transtecno BV	18	51.00%	Amersfoort – Netherlands	Sale of gears and ratiomotors (Hydraulic Sector)	2.8	-	8	-
Transtecno Aandrijftechniek (Netherlands)	-	51.00%	Amersfoort – Netherlands	Sale of gears and ratiomotors (Hydraulic Sector)	0.9	-	2	-
Interpump Piping GS S.r.l.	10	100.00%	Reggio Emilia	Piping holding company (Hydraulic Sector)	-	-	-	-
GS-Hydro Singapore Pte Ltd	624	100.00%	Singapore	Design, production and sale of piping systems (Hydraulic Sector)	1.4	1.4	3	3
GS-Hydro Korea Ltd.	1,892	100.00%	Busan - South Korea	Design, production and sale of piping systems (Hydraulic Sector)	4.7	4.9	31	29
GS-Hydro Piping Systems (Shanghai) Co. Ltd.	2,760	100.00%	Shanghai – China	Design, production and sale of piping systems (Hydraulic Sector)	4.0	4.9	46	45
GS-Hydro Benelux B.V.	18	100.00%	Barendrecht – Netherlands	Design, production and sale of piping systems (Hydraulic Sector)	6.4	5.1	16	13
GS-Hydro Austria GmbH	40	100.00%	Pashing – Austria	Design, production and sale of piping systems (Hydraulic Sector)	6.4	7.2	23	23
GS-Hydro Sp Z O (Poland)	1,095	100.00%	Gdynia – Poland	Design, production and sale of piping systems (Hydraulic Sector)	4.0	4.0	31	32
GS-Hydro Denmark AS	67	100.00%	Kolding – Denmark	Design, production and sale of piping systems (Hydraulic Sector)	3.8	4.6	14	13
GS-Hydro S.A.U (Spain)	90	100.00%	Las Rozas – Spain	Design, production and sale of piping systems (Hydraulic Sector)	8.5	10.6	93	117

Companies consolidated line by line	Share capital (€/000)	% held at 31/12/20	Head office	Main activity	Sales €/million 31/12/2020	Sales €/million 31/12/2019	Average number of employees 2020	Average number of employees 2019
GS-Hydro U.S. Inc.	9,903	100.00%	Huston – USA	Design, production and sale of piping systems (Hydraulic Sector)	2.7	6.1	15	22
GS-Hydro do Brasil Sistemas Hidraulicos Ltda	252	100.00%	Rio de Janeiro – Brazil	Design, production and sale of piping systems (Hydraulic Sector)	1.5	1.7	9	9
GS-Hydro System GmbH (Germany)	179	100.00%	Witten – Germany	Design, production and sale of piping systems (Hydraulic Sector)	-	-	1	1
GS- Hydro UK Ltd	5,095	100.00%	Aberdeen - United Kingdom	Design, production and sale of piping systems (Hydraulic Sector)	15.5	14.6	75	74
GS-Hydro Ab (Sweden)	120	100.00%	Kista – Sweden	Design, production and sale of piping systems (Hydraulic Sector)	1.2	2.1	6	7
GS-Hydro Hong Kong Ltd	1	100.00%	Hong Kong	Design, production and sale of piping systems (Hydraulic Sector)	0.6	0.9	-	-
IMM Hydraulics Ltd	-	100.00%	Kidderminster - United Kingdom	Dormant (Hydraulic Sector)	-	-	-	-
Bristol Hose Ltd	-	100.00%	Bristol - United Kingdom	Dormant (Hydraulic Sector)	-	-	-	-
Teknova S.r.l.	28	100.00%	Reggio Emilia	Dormant and in liquidation (Water Jetting Sector)	-	-	-	-

Companies not consolidated line by line				
General Pump China	111	100%	Ningbo – China	Marketing of components (Water Jetting Sector)
Interpump Hydraulics Perù	318	90%	Lima – Peru	Sale of hydraulic pumps and power take-offs (Hydraulic Sector)
Interpump Hydraulics Rus	172	100%	Moscow – Russia	Sale of hydraulic pumps and power take-offs (Hydraulic Sector)
Suministros Franquesa S.A.	160	100%	Lleida – Spain	Assembly and sale of hydraulic hoses, fittings and other components (Hydraulic Sector)

a) = Company formed on 30 January 2019
b) = Company formed on 22 March 2019
c) = Sales for 9 months in 2019
d) = Sales for 6 months in 2020
e) = Sales for 10 months in 2019
f) = consolidated line-by-line from 1 January 2020
g) = Sales for 3 months in 2019

EVENTS OCCURRING AFTER THE END OF THE YEAR AND BUSINESS OUTLOOK

No atypical or unusual transactions have been carried out subsequent to 31 December 2020 that would call for changes to these consolidated financial statements.

Considering the short time span since 31 December 2020 and in light of the short period of time historically covered by the order portfolio, we do not yet have sufficient information to make a reliable forecast of trends in 2021, for which positive results are anyway predicted in terms of sales and profitability. The Group confirms the strategy of growth by acquisitions, which supplements the steady organic growth achieved.

FURTHER INFORMATION

Pursuant to the regulatory listing conditions relating to subsidiaries incorporated under or governed by the laws of non-EU countries, it is confirmed that Hangzhou Transtecno Power Transmission Co. Ltd (China) has been included among the significant companies for consolidation purposes, following its inclusion in the audit plan subsequent to 31 December 2019, even though the limits established in art. 151 of the Issuers' Regulation have not been exceeded.

The Interpump Group is extremely active in making acquisitions, also of small and medium size companies, which is why it is composed of a large number of companies, including small enterprises, and has a direct presence in 34 countries. This generally means that the audit plan must be added to each year with companies that, although they do not individually exceed the limits set down in art. 151 of the Issuers' Regulation, must anyway be included in order to comply with the cumulative limits indicated in the article.

Sant'Ilario d'Enza (RE), 19 March 2021

For the Board of Directors
Fulvio Montipò
Chairman of the Board of Directors

Consolidated Financial Statements at 31/12/2020

Interpump Group S.p.A. and subsidiaries

Consolidated statement of financial position

(€/000)	*Notes*	*31/12/2020*	*31/12/2019*
ASSETS			
Current assets			
Cash and cash equivalents	6	343,170	233,784
Trade receivables	7, 29	261,707	284,842
Inventories	8	376,596	408,443
Tax receivables		23,573	24,337
Other current assets	9, 29	10,360	9,077
Total current assets		**1,015,406**	**960,483**
Non-current assets			
Property, plant and equipment	10	476,480	484,358
Goodwill	11	549,168	508,670
Other intangible assets	12	43,511	32,527
Other financial assets	13, 29	2,269	4,226
Tax receivables		757	1,590
Deferred tax assets	14	59,610	34,679
Other non-current assets		2,089	2,150
Total non-current assets		**1,133,884**	**1,068,200**
Total assets		***2,149,290***	***2,028,683***

(€/000)	***Notes***	***31/12/2020***	***31/12/2019***
LIABILITIES			
Current liabilities			
Trade payables	7, 29	154,098	157,413
Bank payables	15, 29	10,592	22,076
Interest-bearing financial payables (current portion)	15, 29	181,603	195,110
Tax payables		14,483	14,965
Other current liabilities	16, 29	73,738	90,230
Provisions for risks and charges	17	4,739	4,055
Total current liabilities		**439,253**	**483,849**
Non-current liabilities			
Interest-bearing financial payables	15, 29	420,475	387,412
Liabilities for employee benefits	18	23,809	21,402
Deferred tax liabilities	14	43,229	42,154
Tax payables		3,809	125
Other non-current liabilities	19, 29	58,323	35,610
Provisions for risks and charges	17	10,415	3,057
Total non-current liabilities		**560,060**	**489,760**
Total liabilities		**999,313**	**973,609**
SHAREHOLDERS' EQUITY			
Share capital	20	55,462	55,460
Legal reserve	21	11,323	11,323
Share premium reserve	20, 21	78,693	96,733
Reserve from remeasurement of defined benefit plans	21	(8,217)	(7,358)
Translation reserve	21	(27,215)	7,735
Other reserves	21	1,029,529	885,446
Group shareholders' equity		**1,139,575**	**1,049,339**
Minority interests	22	10,402	5,735
Total shareholders' equity		**1,149,977**	**1,055,074**
Total shareholders' equity and liabilities		***2,149,290***	***2,028,683***

Consolidated income statements

(€/000)	*Notes*	*2020*	*2019*
Net sales		**1,294,363**	**1,368,618**
Cost of sales	24	(830,878)	(866,701)
Gross industrial margin		**463,485**	**501,917**
Other net revenues	23	18,583	20,115
Distribution costs	24	(113,353)	(124,323)
General and administrative expenses	24, 25	(147,150)	(145,556)
Other operating costs	24	(13,906)	(4,939)
Ordinary profit before financial charges		**207,659**	**247,214**
Financial income	26	16,178	15,062
Financial charges	26	(21,372)	(18,038)
Equity method contribution		101	(8)
Profit for the year before taxes		**202,566**	**244,230**
Income taxes	27	(29,295)	(63,628)
Consolidated net profit for the year		**173,271**	**180,602**
Pertaining to:			
Parent company's shareholders		170,980	179,170
Subsidiaries' minority shareholders		2,291	1,432
Consolidated profit for the year		**173,271**	**180,602**
Basic earnings per share	28	1.596	1.699
Diluted earnings per share	28	1.590	1.683

Comprehensive consolidated income statements

(€/000)	***2020***	***2019***
Consolidated profit for the year (A)	**173,271**	**180,602**
Profits (Losses) arising from the translation to euro of the financial statements of foreign companies	*(35,362)*	*4,687*
Profits (Losses) of companies carried at equity	*(75)*	*5*
Related taxes	*-*	*-*
Total other comprehensive profit (loss) that will be subsequently reclassified to consolidated profit, net of tax effect (B)	**(35,437)**	**4,692**
Other comprehensive profit (loss) that will not be subsequently reclassified to consolidated profit		
Profit (loss) deriving from the restatement of defined benefit plans	*(1,146)*	*(1,840)*
Related taxes	*275*	*442*
Total other comprehensive profit (loss) that will not be subsequently reclassified to consolidated profit, net of tax effect (C)	**(871)**	**(1,398)**
Comprehensive consolidated profit for the year (A) + (B) + (C)	**136,963**	**183,896**
Pertaining to:		
Parent company's shareholders	135,171	182,370
Subsidiaries' minority shareholders	1,792	1,526
Comprehensive consolidated profit for the year	**136,963**	**183,896**

Consolidated cash flow statement

(€/000)	*2020*	*2019*
Cash flow from operating activities		
Pretax profit	202,566	244,230
Adjustments for non-cash items:		
Capital losses (gains) from the sale of fixed assets	(2,336)	(2,774)
Amortization and depreciation, loss and reinstatement of assets	77,009	69,284
Costs recognized in the income statement related to stock options that do not involve monetary outflows for the Group	1,919	2,585
Loss (profit) from equity investments	(101)	8
Net change in risk provisions and provisions for employee benefits	7,296	(806)
Outlays for tangible fixed assets destined for hire	(5,465)	(6,278)
Proceeds from the sale of fixed assets granted for hire	5,236	7,793
Net financial charges	5,194	2,976
	291,318	**317,018**
(Increase) decrease in trade receivables and other current assets	25,866	16,976
(Increase) decrease in inventories	30,070	5,270
Increase (decrease) in trade payables and other current liabilities	(3,626)	(42,788)
Interest paid	(5,307)	(5,507)
Currency exchange gains	(2,959)	331
Taxes paid	(54,487)	(78,779)
Net cash from operating activities	**280,875**	**212,521**
Cash flows from investing activities		
Outlay for the acquisition of equity investments, net of cash received and net of divested treasury stock	(39,779)	(24,719)
Capital expenditure on property, plant and equipment	(58,571)	(72,517)
Proceeds from the sale of tangible fixed assets	1,542	1,936
Increase in intangible assets	(4,366)	(3,073)
Received financial income	1,069	850
Other	1,142	413
Net liquidity used in investing activities	**(98,963)**	**(97,110)**
Cash flows from financing activities		
Disbursal (repayment) of loans	22,907	115,398
Dividends paid	(28,322)	(23,876)
Outlays for purchase of treasury shares	(48.488)	(78,993)
Proceeds from the sale of treasury shares to beneficiaries of stock options	14,480	3,823
Loans repaid (granted) by/to non-consolidated subsidiaries	-	(494)
Disbursals (repayments) of shareholder loans	1,891	-
Change in other financial assets	(11)	(126)
Payment of finance leasing installments (principal portion)	(18,214)	(16,739)
Net liquidity generated (used by) financing activities	**(55,757)**	**(1,007)**
Net increase (decrease) in cash and cash equivalents	**126,155**	**114,404**

(€/000)	***2020***	***2019***
Net increase (decrease) in cash and cash equivalents	**126,155**	**114,404**
Exchange differences on translation of liquidity of non-EU companies	(5,333)	602
Effect of IFRS 16 on opening cash and cash equivalents	-	(34)
Opening cash and cash equivalents of companies consolidated line by line for the first time	48	-
Cash and cash equivalents at beginning of year	211,708	96,736
Cash and cash equivalents at end of year	**332,578**	**211,708**

For reconciliation of cash and cash equivalents refer to Note 31.

Statement of changes in consolidated shareholders' equity

	Share capital	*Legal reserve*	*Share premium reserve*	*Reserve from remeasurement of defined benefit plans*	*Translation reserve*	*Other reserves*	*Group shareholders' equity*	*Minority interests*	*Total*
Balances at 1 January 2019	54,842	11,323	71,229	(5,965)	3,142	729,373	863,944	4,961	868,905
Recognition in the income statement of the fair value of stock options assigned and exercisable	-	-	2,585	-	-	-	2,585	-	2,585
Purchase of treasury stock	(1,529)	-	(77,464)	-	-	-	(78,993)	-	(78,993)
Sale of treasury stock to the beneficiaries of stock options	171	-	3,652	-	-	-	3,823	-	3,823
Assignment of treasury shares as payment for equity investments	1,976	-	96,731	-	-	-	98,707	-	98,707
Dividends paid	-	-	-	-	-	(23,200)	(23,200)	(675)	(23,875)
Dividends declared attributable to minority interests	-	-	-	-	-	-	-	(99)	(99)
Minority interest in Reggiana Riduttori	-	-	-	-	-	-	-	175	175
Purchase of residual interests in subsidiaries	-	-	-	-	-	103	103	(153)	(50)
Comprehensive profit (loss) for 2019	-	-	-	(1,393)	4,593	179,170	182,370	1,526	183,896
Balances at 31 December 2019	*55,460*	*11,323*	*96,733*	*(7,358)*	*7,735*	*885,446*	*1,049,339*	*5,735*	*1,055,074*
Recognition in the income statement of the fair value of stock options assigned and exercisable	-	-	1,919	-	-	-	1,919	-	1,919
Purchase of treasury stock	(837)	-	(47,650)	-	-	-	(48,487)	-	(48,487)
Sale of treasury stock to the beneficiaries of stock options	585	-	13,895	-	-	-	14,480	-	14,480
Assignment of treasury shares as payment for equity investments	254	-	13,796	-	-	-	14,050	-	14,050
Minority interest in companies consolidated for the first time	-	-	-	-	-	-	-	4,267	4,267
Dividends paid	-	-	-	-	-	(26,897)	(26,897)	(1,362)	(28,259)
Dividends declared attributable to minority interests	-	-	-	-	-	-	-	(30)	(30)
Comprehensive profit (loss) for 2020	-	-	-	(859)	(34,950)	170,980	135,171	1,792	136,963
Balances at 31 December 2020	*55,462*	*11,323*	*78,693*	*(8,217)*	*(27,215)*	*1,029,529*	*1,139,575*	*10,402*	*1,149,977*

Notes to the annual financial report

1. General information

Interpump Group S.p.A. is a company domiciled in Sant'Ilario d'Enza (Reggio Emilia, Italy) and incorporated under Italian law. The company is listed on the Milan stock exchange in the STAR segment.

The Group manufactures and markets high and very high pressure plunger pumps, very high pressure systems, machines for the food processing, chemicals, cosmetics and pharmaceuticals industries (Water Jetting Sector), power take-offs, gear pumps, hydraulic cylinders, directional controls, valves, hydraulic hoses and fittings, gears and other hydraulic components (Hydraulic Sector). The Group has production facilities in Italy, the US, Canada, Germany, France, Portugal, China, India, Brazil, Bulgaria, Romania and South Korea.

The consolidated financial statements at 31 December 2020 were approved by the Board of Directors on this day (19 March 2021).

2. Scope of consolidation

The 2020 consolidation basis includes the Parent Company and the following subsidiaries consolidated on a line-by-line basis (with the information required on the basis of Consob communication DEM/6064293 of 28/07/2006):

Company	Head office	*Share capital* €/000	*Shareholders' equity* €/000	*Profit for 2020* €/000	*% held* at 31/12/2020
GP Companies Inc.	Minneapolis (USA)	1,854	16,109	5,557	100.00%
Hammelmann GmbH	Oelde (Germany)	25	128,587	23,276	100.00%
Hammelmann Australia Pty Ltd (1)	Melbourne (Australia)	472	6,784	1,062	100.00%
Hammelmann Corporation Inc (1)	Miamisburg (USA)	39	10,328	3,869	100.00%
Hammelmann S. L. (1)	Zaragoza (Spain)	500	1,921	543	100.00%
Hammelmann Pumps Systems Co Ltd (1)	Tianjin (China)	871	12,226	1,117	90.00%
Hammelmann Bombas e Sistemas Ltda (12)	San Paolo (Brazil)	1,515	71	(63)	100.00%
Hammelmann France S.a.r.l. (1)	Etrichè (France)	50	498	206	100.00%
Hammelmann Swiss GmbH (1)	Dudingen (Switzerland)	89	199	16	100.00%
Inoxihp S.r.l.	Nova Milanese (MI)	119	6,650	1,437	52.72%
NLB Corporation Inc.	Detroit (USA)	12	87,819	4,687	100.00%
NLB Poland Corp. Sp. Z.o.o. (2)	Warsaw (Poland)	1	(1,481)	(394)	100.00%
Inoxpa S.A.	Banyoles (Spain)	23,000	58,105	10,716	100.00%
Inoxpa India Private Ltd (3)	Pune (India)	6,779	11,601	1,213	100.00%
Inoxpa Solutions France Sas (3)	Gleize (France)	2,071	3,526	1,142	100.00%
Improved Solutions Unipessoal Ltda (3)	Vale de Cambra (Portugal)	760	2,752	690	100.00%
Inoxpa (UK) Ltd (3)	Eastbourne (UK)	1,942	366	238	100.00%
Inoxpa Solutions Moldova (3)	Chisinau (Moldova)	317	383	(161)	66.67%
Inoxpa Australia Proprietary Ltd (3)	Capalaba (Australia)	584	231	18	100.00%
Inoxpa Colombia Sas (3)	Bogotá (Colombia)	133	662	139	83.29%
Inoxpa Italia S.r.l. (3)	Mirano (VE)	100	387	143	100.00%
Inoxpa Middle East FZCO (3)	Dubai (UAE)	253	202	(34)	60.00%
Inoxpa Skandinavien A/S (3)	Horsens (Denmark)	134	929	376	100.00%
Inoxpa South Africa Proprietary Ltd (3)	Gauteng (South Africa)	104	983	405	100.00%
Inoxpa Special Processing Equipment Co. Ltd (3)	Jianxing (China)	1,647	1,106	8	100.00%

Company	*Head office*	*Share capital €/000*	*Shareholders' equity €/000*	*Profit for 2020 €/000*	*% held at 31/12/2020*
Inoxpa Ukraine (3)	Kiev (Ukraine)	113	314	62	100.00%
Inoxpa USA Inc (3)	Santa Rosa (USA)	1,426	697	(121)	100.00%
INOXPA LTD (3)	Podolsk (Russia)	1,435	2,801	364	70.00%
Pioli S.r.l.	Reggio Emilia (RE)	10	1,490	311	100.00%
Servizi Industriali S.r.l.	Ozzano Emilia (BO)	100	2,565	530	80.00%
SIT S.p.A.	S. Ilario d'Enza (RE)	105	1,374	64	65.00%
Teknova S.r.l. (in liquidation)	Reggio Emilia (RE)	28	13	(4)	100.00%
Interpump Hydraulics S.p.A.	Calderara di Reno (BO)	2,632	236,582	35,943	100.00%
AVI S.r.l. (17)	Varedo (MB)	10	1,180	325	100.00%
Contarini Leopoldo S.r.l. (4)	Lugo (RA)	47	10,668	2,871	100.00%
Unidrò Contarini S.a.s. (5)	Barby (France)	8	2,866	593	100.00%
Copa Hydrosystem Ood (5)	Troyan (Bulgaria)	3	8,488	982	100.00%
Hydrocar Chile S.A. (4)	Santiago (Chile)	129	4,878	(4)	90.00%
Hydroven S.r.l. (4)	Tezze sul Brenta (VI)	200	6,513	1,818	100.00%
Interpump Hydraulics Brasil Ltda (4)	Caxia do Sul (Brazil)	15,126	7,638	189	100.00%
Interpump Hydraulics France S.a.r.l. (4)	Ennery (France)	76	1,450	335	99.77%
Interpump Hydraulics India Private Ltd (4)	Hosur (India)	682	12,772	865	100.00%
Interpump Hydraulics Middle East FZE (4)	Dubai (UAE)	326	(357)	(275)	100.00%
Interpump South Africa Pty Ltd (4)	Johannesburg (South Africa)	-	1,958	(187)	100.00%
Interpump Hydraulics (UK) Ltd. (4)	Kidderminster (United Kingdom)	13	13,763	40	100.00%
Mega Pacific Pty Ltd (6)	Newcastle (Australia)	335	7,415	1,412	65.00%
Mega Pacific NZ Pty Ltd (6)	Mount Maunganui (New Zealand)	557	1,899	238	65.00%
Muncie Power Prod. Inc. (4)	Muncie (USA)	784	94,615	13,973	100.00%
American Mobile Power Inc. (7)	Fairmount (USA)	3,410	6,294	1,557	100.00%
Hydra Dyne Technology Inc (7)	Ingersoll (Canada)	80	8,865	775	75.00%
Oleodinamica Panni S.r.l. (4)	Tezze sul Brenta (VI)	2,000	30,280	9,388	100.00%
Wuxi Interpump Weifu Hydraulics Company Ltd (4)	Wuxi (China)	2,095	8,000	1,810	65.00%
IMM Hydraulics S.p.A. (4)	Atessa (Switzerland)	520	50,363	6,014	100.00%
Hypress France S.a.r.l. (8)	Strasbourg (France)	162	1,945	308	100.00%
Interpump Fluid Solutions Germany GmbH (8)	Meinerzhagen (Germany)	52	1,197	(100)	100.00%
IMM Hydro Est (8)	Catcau Cluj Napoca (Romania)	3,155	10,197	940	100.00%
FGA S.r.l. (8)	Fossacesia (CH)	10	(1)	5	100.00%
Innovativ Gummi Tech S.r.l. (8)	Ascoli Piceno (AP)	25	864	(311)	60.00%
Tekno Tubi S.r.l. (8)	Terre del Reno (FE)	100	7,700	994	100.00%
Tubiflex S.p.A.	Orbassano (TO)	515	11,624	1,710	100.00%
Walvoil S.p.A.	Reggio Emilia (RE)	7,692	177,351	36,841	100.00%
Walvoil Fluid Power Corp. (9)	Tulsa (USA)	137	18,181	4,602	100.00%
Walvoil Fluid Power Pvt. Ltd. (9)	Bangalore (India)	4,803	22,755	2,809	100.00%
Walvoil Fluid Power Korea Llc. (9)	Pyeongtaek (South Korea)	453	5,375	1,229	100.00%
Walvoil Fluid Power France S.a.r.l. (9)	Vritz (France)	10	58	(9)	100.00%
Walvoil Fluid Power Australasia (9)	Melbourne (Australia)	7	141	11	100.00%
Galtech Canada Inc. (9)	Terrebonne, Quebec (Canada)	76	2,364	556	100.00%
HTIL (9)	Hong Kong	98	2,743	(1,396)	100.00%
Walvoil Fluid Power (Dongguan) Co., Ltd (9)	Dongguan (China)	3,720	16,562	3,074	100.00%
Reggiana Riduttori S.r.l.	S. Polo d’Enza (RE)	6,000	55,380	9,940	100.00%
RR USA Inc. (13)	Boothwyn (USA)	1	14,237	847	100.00%
RR Canada Inc. (13)	Vaughan (Canada)	1	2,768	311	100.00%
RR Holland BV (13)	Oosterhout (Netherlands)	19	2,909	214	100.00%

Company	*Head office*	*Share capital €/000*	*Shareholders' equity €/000*	*Profit for 2020 €/000*	*% held at 31/12/2020*
RR France S.a.r.l. (13)	Thouare sur Loire (France)	400	471	(2)	95.00%
RR Slovakia A.S. (13)	Zvolen (Slovakia)	340	1,156	5	100.00%
RR Pacific Pty Ltd (13)	Victoria (Australia)	-	(110)	23	100.00%
RR India Pvt. Ltd (13)	New Delhi (India)	52	9	8	99.99%
Reggiana Riduttori (Suzhou) Co. Ltd (13)	Suzhou (China)	200	(193)	(304)	100.00%
Transtecno S.r.l.	Anzola dell'Emilia (BO)	100	11,253	4,472	60.00%
Intecno S.r.l. (14)	Anzola dell'Emilia (BO)	10	1,239	464	81.00%
Hangzhou Transtecno Power Transmissions Co. Ltd (14)	Hangzhou (China)	575	11,646	3,898	72.00%
Transtecno Iberica the Modular Gearmotor S.A. (14)	Gava (Spain)	94	(49)	(30)	50.40%
MA Transtecno S.A.P.I. de C.V. (14)	Apodaca (Mexico)	124	673	336	50.40%
Transtecno USA LLC (16)	Miami (USA)	3	124	46	100.00%
Transtecno BV (14)	Amersfoort (Netherlands)	18	1,324	287	51.00%
Transtecno Aandrijftechniek BV (15)	Amersfoort (Netherlands)	-	271	58	51.00%
Interpump Piping GS S.r.l.	Reggio Emilia (RE)	10	1,659	761	100.00%
GS-Hydro Singapore Pte Ltd (10)	Singapore	624	706	280	100.00%
GS-Hydro Korea Ltd. (10)	Busan (South Korea)	1,892	3,546	822	100.00%
GS-Hydro Piping Systems (Shanghai) Co. Ltd. (11)	Shanghai (China)	2,760	4,190	49	100.00%
GS-Hydro Benelux B.V. (10)	Barendrecht (Netherlands)	18	2,840	305	100.00%
GS-Hydro Austria GmbH (10)	Pashing (Austria)	40	1,502	368	100.00%
GS-Hydro Sp Z O O (10)	Gdynia (Poland)	1,095	844	(5)	100.00%
GS Hydro Denmark AS (10)	Kolding (Denmark)	67	609	12	100.00%
GS-Hydro S.A.U (10)	Las Rozas (Spain)	90	1,892	487	100.00%
GS-Hydro U.S. Inc. (7)	Houston (USA)	9,903	(42)	(1,249)	100.00%
GS-Hydro do Brasil Sistemas Hidraulicos Ltda (10)	Rio de Janeiro (Brazil)	252	1,337	384	100.00%
GS-Hydro System GmbH (10)	Witten (Germany)	179	(392)	12	100.00%
GS- Hydro UK Ltd (10)	Aberdeen (United Kingdom)	5,095	2,872	722	100.00%
GS-Hydro Ab (10)	Sundsbruk (Sweden)	120	80	(96)	100.00%
GS-Hydro Hong Kong Ltd (1)	Hong Kong	1	972	19	100.00%
IMM Hydraulics Ltd (dormant) (6)	Kidderminster (United Kingdom)	-	-	-	100.00%
Bristol Hose Ltd (dormant) (6)	Bristol (United Kingdom)	-	-	-	100.00%

(1) = controlled by Hammelmann GmbH
(2) = controlled by NLB Corporation Inc. .
(3) = controlled by Inoxpa S.A.
(4) = controlled by Interpump Hydraulics S.p.A.
(5) = controlled by Contarini Leopoldo S.r.l.
(6) = controlled by Interpump Hydraulics (UK) Ltd.
(7) = controlled by Muncie Power Prod. Inc
(8) = controlled by IMM Hydraulics S.p.A.
(9) = controlled by Walvoil S.p.A.
(10) = controlled by Interpump Piping GS S.r.l.
(11) = controlled by GS Hydro Hong Kong Ltd
(12) = controlled by Interpump Hydraulics Brasil Ltda
(13) = controlled by Reggiana Riduttori S.r.l.
(14) = controlled by Transtecno S.r.l.
(15) = controlled by Transtecno B.V.
(16) = controlled by MA Transtecno S.A.P.I. de C.V.
(17) = controlled by Inoxihp S.r.l.

The other companies are controlled by Interpump Group S.p.A.

Compared with 2019, the 2020 consolidation includes the Transtecno Group (Hydraulic Sector) and six months of Servizi Industriali S.r.l. (Water Jetting Sector), acquired in July 2020. The Reggiana Riduttori Group was consolidated for the full year in 2020, but only for three months in 2019, since it was acquired on 15 October 2019. Hydra Dyne Technology Inc. (Hydraulic Sector), acquired on 1 March 2019, was only consolidated for ten months of 2019, but has been consolidated for the full year in 2020. FGA S.r.l. and Innovativ Gummi Tech S.r.l. (Hydraulic Sector) have also been consolidated on a line-by-line basis from 1 January 2020. They were not consolidated in 2019 due to their insignificance. Lastly, Pioli S.r.l. (Water Jetting Sector), acquired on 1 April 2019, was consolidated for nine months in 2019, but has been consolidated for the full year in 2020.

The minority quotaholder of Inoxihp S.r.l. is entitled to dispose of its holdings starting from the approval of the 2025 financial statements up to the 2035 financial statements, on the basis of the average results of the company in the last two financial statements for the years ended before the exercise of the option. Likewise, the minority shareholder of Mega Pacific Pty Ltd and of Mega Pacific NZ Pty Ltd is entitled and required to sell its shares within 90 days of 29 July 2021, based on the results of the last financial statements published before exercise of the option. The minority shareholder of Inoxpa Solution Moldova has earned the right to dispose of its holdings from October 2020, based on the most recent statement of financial position of that company. The minority shareholder of Hydra Dyne Technology Inc. has the right and obligation to dispose of its holdings starting from approval of the 2023 financial statements based on the average of the results for the two years prior to exercise of the option. The minority quotaholder of Transtecno S.r.l. is entitled and required to dispose of its holdings during 2022 or during 2024, on the basis of the results for the year prior to that in which the option is exercised. Furthermore, Interpump Group S.p.A. is required to purchase the residual 20% interest in Servizi Industriali S.r.l., commencing from 2024.

In compliance with the requirements of IFRS 10 and IFRS 3, Inoxihp, Mega Pacific Australia, Mega Pacific New Zealand, Inoxpa Solution Moldova, Hydra Dyne Technology, Transtecno and Servizi Industriali have been consolidated in full, recording a payable representing the estimated present value of the exercise price of the options determined with reference to the business plans of the companies. Any changes in the above payable identified within 12 months of the date of acquisition, as a result of additional or better information, will be recorded as an adjustment of goodwill, while any changes emerging more than 12 months after the date of acquisition will be recognized in the income statement.

Investments in other companies, including subsidiaries, that have not been consolidated due to their insignificance are measured at fair value.

3. Accounting standards adopted

3.1 Reference accounting standards

The annual financial report at 31 December 2020 was drafted in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and approved by the European Union. "IFRS" also means the International Accounting Standards ("IAS") currently in force and all the interpretative documents issued by the IFRS Interpretation Committee, previously denominated International Financial Reporting Interpretations Committee ("IFRIC") and still earlier known as the Standing Interpretations Committee ("SIC").

The consolidated financial statements are presented in thousands of euro. The financial statements are prepared using the cost method, with the exception of financial instruments and the obligations deriving from options to acquire minority interests in certain subsidiaries, which are measured at fair value.

Preparation of financial statements in compliance with IFRS (International Financial Reporting Standards) calls for judgments, estimates, and assumptions that have an effect on assets, liabilities, costs and revenues. The final results may differ from the results obtained using estimates of this type. The captions of the financial statements that call for more subjective appraisal by the directors when preparing estimates and for which a change in the conditions underlying the assumptions utilized could have a significant effect on the financial statements are: goodwill, amortization and depreciation of fixed assets, deferred tax assets and liabilities, the allowance for doubtful accounts and the allowance for inventories, provisions for risks and charges, defined benefit plans for employees, and liabilities for the acquisition of investments included under other liabilities.

Notably, discretionary measurements and significant accounting estimates concern the recoverable value of non-financial assets calculated as the greater amount between the fair value minus the cost of sale and the value in use. The value in use calculation is based on a cash flow actualization model. The recoverable value is highly dependent on the discount rate used for cash flow actualization, as well as on the expected future cash flows and the growth rate applied. The key assumptions used to determine the recoverable value for the two cash flow generating units, including a sensitivity analysis, are described in Note 11 to the Consolidated Financial Statements at 31 December 2020.

Moreover, the use of accounting estimates and significant assumptions concerns also the determination of the fair values of the assets and liabilities acquired in the framework of business combinations. In fact, at the acquisition date the Group must record, separately from the associated fair value, assets, liabilities and potential liabilities identifiable and acquired or assumed in the context of the business combination, and also determine the current value of the exercise price of any purchase options on minority interests. This process calls for the preparation of estimates, based on measurement techniques that involve making judgments about future cash flows and other hypotheses about the long-term growth rates and discount rates used in models developed with, in some cases, assistance from external experts. The accounting impacts of determination of the fair value of acquired assets and assumed liabilities, and of the options to purchase minority interests for operations of business combinations that occurred during the year, are provided in Note 5. Business combinations.

3.1.1 Accounting standards, amendments and interpretations in force from 1 January 2020 and adopted by the Group

As from 2020 the Group has applied the following new accounting standards, amendments and interpretations, reviewed by IASB:

- *Amendments to IFRS 3 - "Business Combinations".* IASB published these amendments on 22 October 2018 in order to help determine if a transaction represents the acquisition of a business or a group of activities that does not satisfy the definition of a business pursuant to IFRS 3. Application of the new amendments did not result in adjustments to the financial position of the Group, but could have an impact in future years should the Group carry out any business combinations.
- *Amendments to IAS 1 and IAS 8 - "Definition of Material".* IASB published these amendments on 31 October 2018 in order to clarify the definition of "material", with a view to helping companies determine if a disclosure should be made in the financial statements. These amendments had no impact on the consolidated financial statements and are not expected to have any effect on the Group in future.
- *Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform.* The IASB published these amendments on 26 September 2019 so that companies can make useful financial disclosures during the period of uncertainty caused by the gradual elimination of certain interest-rate parameters, such as the interbank offered rates (IBORs); they amend certain requirements for the recognition of hedges in order to mitigate potential effects deriving from uncertainties linked to the IBOR reform. The amendments also require companies to make additional disclosures to investors about any hedging

relationships that are directly affected by those uncertainties. Application of the new amendment did not result in adjustments to the Group's equity balances.

- *Amendments to references to the Conceptual Framework in IFRS Standards.* The IASB published this amendment on 29 March 2018 with the aim of improving both the definitions of "asset" and "liability" and the process for their measurement, elimination and presentation. The document also clarifies a number of important concepts, such as identification of the recipients of financial statements and the objectives they seek to achieve, and discusses application of the concepts of prudence and uncertainty when evaluating financial disclosures. These amendments had no impact on the consolidated financial statements of the Group.
- *Amendment to IFRS 16 Leases Covid 19 – Related rent concessions.* On 28 May 2020 the IASB published an amendment to clarify the circumstances in which a lessee may, as a practical expedient, determine that specific reductions in installments (as a direct consequence of Covid-19) need not be treated as changes in the payment plan and recognize them accordingly. This amendment became applicable from 1 June 2020, although early adoption was allowed. These amendments had no impact on the consolidated financial statements of the Group.

3.1.2 New accounting standards and amendments not yet applicable and not adopted early by the Group

- *IFRS 17 – Insurance Contracts.* On 18 May 2017, IASB published a new standard to replace IFRS 4, which was issued in 2004. The new standard seeks to improve the understanding of investors and others about the risk exposure, profitability and financial position of insurers. IFRS 17 is applicable from 1 January 2021, although early adoption is permitted. This standard does not apply to the Group.
- *Amendments to IAS 1 – "Presentation of Financial Statements: Classification of Liabilities as Current or Non-current.* The IASB published this amendment on 23 January 2020 in order to clarify the presentation of liabilities in the statement of financial position. In particular, the amendment clarifies that:
    - the classification of liabilities as current or non-current should be based on the rights existing at the end of the reporting period and, in particular, on the right to defer payment for at least 12 months;
    - classification is not influenced by expectations regarding decisions by the entity to exercise its right to defer the payment of a liability;
    - payment refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

  The new amendment is applicable from 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact of this amendment on the existing situation.
- *Amendments to IAS 16 –* "*Property, Plant and Equipment: Proceeds before Intended Use*". The IASB published this amendment in May 2020, prohibiting entities from deducting from the cost of an item of property, plant and equipment any proceeds from selling products made while bringing that item to the location or for the time necessary for it to become capable of operating in the manner intended by management. Instead, the entity must recognize the proceeds from selling such items, and the cost of producing them, in profit or loss.

  The amendment applies to annual periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies that amendment. The Group does not expect these amendments to have a significant effect.

- *Amendments to IAS 37 – "Onerous Contracts – Costs of Fulfilling a Contract"*. In May 2020, the IASB published amendments to IAS 37 to specify what costs must be considered by an entity when assessing whether a contract is onerous or loss-making. The amendments requires application of the "*directly-related cost*" approach. Costs that relate directly to a contract for the supply of goods or services include both the incremental fulfillment costs and the costs directly attributable to the contractual activities. General and administrative expenses are not directly attributable to a contract and are excluded, unless they are explicitly rechargeable to the counterparty under the terms of the contract. These amendments are effective for annual periods beginning on or after 1 January 2022. The Group will apply these amendments to those contracts for which it has not yet satisfied all its obligations at the start of the financial year in which it applies them for the first time.
- *Amendments* to IFRS 1 "*First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter*". As part of its annual improvements to IFRS standards 2018-2020, the IFRS has published an amendment to IFRS 1 that permits a subsidiary applying paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the latter's date of transition to IFRSs. This amendment also applies to associates and joint ventures that elect to apply paragraph D16(a) of IFRS 1. The amendment is effective for annual periods beginning on or after 1 January 2022. Early application is permitted.
- *Amendment to IFRS 9* "*Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities*". As part of its annual improvements to IFRS standards 2018-2020, the IFRS has published an amendment to IFRS 9 that clarifies which fees an entity includes when assessing whether the conditions of a new or amended financial liability are substantially different to those of the original financial liability. These fees only include those paid or received between the borrower and the lender, including fees paid or received by either the entity or the lender on behalf of the other. The entity will apply this amendment to those financial liabilities that are amended or exchanged subsequent to the start of the financial year in which it is applied for the first time. The amendment is effective for annual periods beginning on or after 1 January 2022. Early application is permitted. The Group will apply this amendment to those financial liabilities that are amended or exchanged subsequent to or at the start of the financial year in which it is applied for the first time. This amendment is not expected to have a material impact on the Group.

3.2 Consolidation principles

(i) Subsidiaries
Companies are subsidiaries when the Parent Company is exposed to or is entitled to variable returns deriving from its investment relationship and, at the same time, is able to influence such returns by exercising its power over the entity concerned.

Specifically, the Group controls an investment if, and only if, the Group has:

- power over the entity in which the investment is held (i.e. holds valid rights granting the real ability to direct the significant activities of that entity);
- exposure to or rights to variable returns deriving from its investment relationship with the entity concerned;
- the ability to exercise its power over the entity concerned in order to influence the amounts of its returns.

Generally, ownership of the majority of voting rights is presumed to result in control. In support of this presumption and when the Group holds less than the majority of voting rights (or similar), the Group considers all significant facts and circumstances in order to determine whether or not it controls the entity concerned, including:

- contractual agreements with other owners of voting rights;
- rights deriving from contractual agreements;
- voting rights and potential voting rights held by the Group that are not freely exercisable or convertible.

The Group reviews whether or not it controls an entity, if the facts and circumstances indicate changes in one or more of the three elements that are significant for the definition of control. Said potential voting rights are not considered for the purposes of the consolidation process at the time of attribution to minority interests of the economic result and the portion of shareholders' equity pertaining to them. The financial statements of several subsidiaries were not consolidated in consideration of their limited significance; these investments are carried in accordance with the principles illustrated in note 3.10.

The financial statements of subsidiaries are consolidated starting from the date on which the Group acquires control, and deconsolidated from the date on which control is relinquished.

Acquisitions of stakes in subsidiary companies are recorded in accordance with the purchase account method. The acquisition cost corresponds to the current value of the acquired assets, shares issued, or liabilities assumed at the date of acquisition. Ancillary expenses associated with the acquisition are generally recognized in the income statement when they are incurred. The excess of acquisition cost over the Group interest in the current value of the net assets acquired is recognized in the statement of financial position as goodwill. For all business combinations, the Group decides whether to measure the non-controlling interest in the acquired entity at fair value, or in proportion to the minority equity interest acquired. Any negative goodwill is recorded in the income statement at the date of acquisition.

If the business combination is achieved in several phases, the equity interest previously held is remeasured at fair value at the acquisition date and any profits or losses are recognized in the income statement.

The fair value of any contingent consideration payable is recognized by the purchaser at the acquisition date. Changes in the fair value of contingent consideration classified as an asset or a liability, as a financial instrument governed by IFRS 9 Financial instruments: recognition and measurement, are recognized in the income statement or in the statement of other comprehensive income. Any contingent consideration not falling within the scope of IFRS 9 is measured at fair value and the changes in fair value are recognized in the income statement. If the contingent consideration is classified in equity, its value is not remeasured and the effect of subsequent settlement is also recognized in equity.

After the Group has obtained control of an entity, subsequent acquisitions of interests in said entity that result in an increase or decrease in acquisition cost with respect to the amount attributable to the Group are recognized as equity transactions.

Subsidiaries are consolidated on a line-by-line basis, which combines the entire amount of their assets and liabilities and all their costs and revenues, irrespective of the percentage of control. The accounting value of consolidated equity investments is therefore eliminated against the related interest in their shareholders' equity. The portions of shareholders' equity and profits of minority interests are shown respectively in a specific caption under shareholders' equity and on a separate line of the consolidated income statement. The Group is required to allocate the total statement of comprehensive income to the owners of the parent and to the non-controlling interests, even if this means that the latter have a negative balance.

If the Group losses control over a subsidiary, the related assets (including goodwill), liabilities, non-controlling interests and other components of equity are deconsolidated, while any profits or losses are recognized in the income statement. Any equity interest retained is recognized at fair value.

(ii) Associates
Associates are companies over which the Group has significant influence, without exercising control over their operations. The considerations made in order to determine the existence of significant interest or joint control are similar to those made to determine the existence of control over subsidiaries. The Group's investments in associates are measured using the equity method.

Under the equity method, the investment in an associate is initially measured at cost. The carrying amount of the investment is increased or decreased to recognize the interest of the investor in the profits and losses earned by the entity subsequent to the acquisition date. Any goodwill for an associate is included in its carrying amount and is not subject to separate impairment testing.

The income statement reflects the Group's interest in the results for the year of the associate. All changes in the other comprehensive income reported by associates are recognized as part of the other comprehensive income of the Group. In addition, if an associate recognizes a change directly in equity, the Group also recognizes its share of that change, where applicable, in the statement of changes in shareholders' equity. Any unrealized profits and losses deriving from transactions between the Group and associates are eliminated in proportion to the interests held in them.

The total interest of the Group in the results for the year of associates is classified in the income statement below the operating results line. This interest represents their results after taxation and the portion attributable to the other owners of the associate.

The financial statements of associates are prepared at the same reporting date as that used by the Group. Where necessary, they are adjusted to reflect the accounting policies adopted by the Group.

Subsequent to application of the equity method, the Group considers if it is necessary to recognize any impairment in the value of its interests in associates. On each reporting date, the Group determines if there is any objective evidence that the carrying amount of associates might be impaired. If so, the Group calculates the loss as the difference between the recoverable value of the associate and its carrying amount, and charges it to the "interest in the results of associates" caption of the income statement.

When significant interest over an associate is lost, the Group measures and recognizes the residual investment at its fair value. The difference between the carrying amount of an investment on the date when significant influence is lost, and the fair value of the residual investment plus the consideration received, is recognized in the income statement.

(iii) Investments in other companies
Information about the investments in other companies that represent financial assets is provided in section 3.12 Financial assets (Trade receivables, Other financial assets and Other assets).

(iv) Transactions eliminated in the consolidation process
Intercompany balances and gains and losses arising from intercompany transactions are omitted in the consolidated financial statements. Intercompany gains deriving from transactions with associated companies are omitted in the valuation of the investment with the net equity method. Intercompany losses are only omitted in the presence of evidence that they have not been incurred in relation to third parties.

3.3 Business sector information

Based on the definition provided by standard IFRS 8 an operating segment is a component of an entity:

- that undertakes business activity that generates costs and revenues;
- the operating results of which are periodically reviewed at the highest decisional/operating level of the entity in order to make decisions concerning the resources to allocate to the segment and the measurement of the results;
- for which separate accounting information is available.

The business segments in which the Group operates are determined on the basis of the reporting utilized by Group top management to make decisions, and they have been identified as the Water Jetting Sector, which basically includes high and very-high pressure pumps and very high pressure systems, as well as machines for the food processing, chemicals, cosmetics and pharmaceutical industries, and the Hydraulic Sector, which includes power take-offs, hydraulic cylinders, directional controls and hydraulic valves, hydraulic hoses and fittings, gears and other hydraulic components. With the aim of providing more comprehensive disclosure, information is provided for the geographical areas in which the Group operates, namely Italy, the Rest of Europe (including non-EU European countries), North America, the Far East and Oceania, and the Rest of the World.

3.4 Treatment of foreign currency transactions

(i) Foreign currency transactions
The functional and presentation currency adopted by the Interpump Group is the euro. Foreign currency transactions are translated to euro using the exchange rates in force on the date of the transaction. Monetary assets and liabilities are translated at the exchange rate in force on the reporting date. Foreign exchange differences arising from the translation are recognized in the income statement. Non-monetary assets and liabilities measured at historical cost are translated at the exchange rates in force on the date of the related transactions. Monetary assets and liabilities stated at fair value are translated to euro at the exchange rate in force on the reporting date in respect of which their fair value was determined.

(ii) Translation to euro of financial statements in foreign currencies
The assets and liabilities of companies not residing in the EU and whose functional currency is not the Euro, including the goodwill adjustments deriving from the consolidation process and the fair-value adjustments generated by the acquisition of a foreign company outside the EU, are translated at the exchange rates in force on the reporting date. Revenues and costs of the same companies are translated at the average exchange rate in force in the year, which approximates the exchange rates in force on the dates on which the individual transactions were carried out. Foreign exchange differences arising from translation are allocated to a specific equity reserve designated Translation Reserve. At the time of disposal of a foreign economic entity, accumulated exchange differences reported in the Translation Reserve will be recognized in the income statement.

The exchange rates used for the translation to euro of the amounts booked to the income statements and statements of financial position of companies with functional currency other than the euro are as follows:

	2020 averages	At 31 December 2020	2019 averages	At 31 December 2019
Danish Krone	7.454	7.441	7.466	7.472
Swedish Krona	10.485	10.034	10.589	10.447
UAE Dirham	4.195	4.507	4.111	4.126
Australian Dollar	1.655	1.590	1.611	1.600
Canadian Dollar	1.530	1.563	1.485	1.460
Hong Kong Dollar	8.859	9.514	8.772	8.747
New Zealand dollar	1.756	1.698	1.700	1.665
Singapore Dollar	1.574	1.622	1.527	1.511
US Dollar	1.142	1.227	1.119	1.123
Swiss Franc	1.071	1.080	1.112	1.085
Ukrainian Hryvnia	30.851	34.769	28.922	26.720
Moldovan Leu	19.711	21.069	19.646	19.299
Romanian Leu	4.838	4.868	4.745	4.783
Bulgarian Lev	1.956	1.956	1.956	1.956
New Peruvian Sol	3.996	4.443	3.736	3.726
Chilean Peso	903.137	872.520	786.893	844.860
Columbian Peso	4,217.056	4,202.340	3,674.521	3,688.660
South African Rand	18.765	18.022	16.176	15.777
Mexican Peso	24.519	24.416	-	-
Brazilian Real	5.894	6.374	4.413	4.516
Russian Ruble	82.725	91.467	72.455	69.956
Indian Rupee	84.639	89.661	78.836	80.187
UK Pound	0.890	0.899	0.878	0.851
South Korean Won	1,345.577	1,336.000	1,305.317	1,296.280
Chinese Yuan	7.875	8.023	7.735	7.821
Polish Zloty	4.443	4.560	4.298	4.257

The economic values of companies that entered the scope of consolidation during the year were converted at the average exchange rate of the period in which they contributed to the Group results.

3.5 Non-current assets held for sale and discontinued operations

Non-current assets held for sale and any assets and liabilities pertaining to lines of business destined for sale are measured at the lower of their book value at the time these items were classified as held for sale, and their fair value, net of the costs of sale. Any impairments recorded in application of said principle are recorded in the income statement, both in the event of write-downs for adaptation to the fair value and also in the case of profits and losses deriving from future changes of the fair value.

Business complexes that represent a large portion of the Group's assets are classified as discontinued operations at the time of their disposal or when they fit the description of assets held for sale, if said requirements existed previously.

3.6 Property, plant and equipment

(i) Recognition and measurement
Property, plant and equipment are measured at the historical cost and stated net of accumulated depreciation (see next point *iii*) and impairment losses (see section 3.9). The cost of goods produced internally includes the cost of raw materials, directly related labor costs, and a portion of indirect production costs. The cost of assets, whether purchased externally or produced internally, includes the ancillary costs that are directly attributable and necessary for use of the asset and, when they are significant and in the presence of contractual obligations, the current value of the cost estimated for the dismantling and removal of the related assets.

Financial charges relative to loans utilized for the purchase of tangible fixed assets are recorded in the income statement on an accruals basis if they are not specifically allocated to the purchase or construction of the asset, otherwise they are capitalized.

Assets held for sale are measured at the lower of the fair value net of ancillary sales charges and their book value.

(ii) Subsequent costs
The replacement costs of certain parts of assets are capitalized when it is expected that said costs will result in future economic benefits and they can be measured in a reliable manner. All other costs, including maintenance and repair costs, are ascribed to the income statement when they arise.

(iii) Depreciation
Depreciation is charged to the income statement on a straight-line basis in relation to the estimated residual useful life of the associated asset. Land is not depreciated. The estimated useful life of assets is as follows:

- Property	20-25 years
- Plant and equipment	12.5 years
- Industrial and commercial equipment	3-6 years
- Other assets	3-8 years

The estimated useful life of the assets is reviewed on an annual basis, and any changes in the rates of depreciation are applied, where necessary, to future depreciation charges.

For assets purchased and/or that became operational in the year, depreciation is calculated utilizing annual rates reduced by 50%. Historically, this method has been representative of the effective utilization of the assets concerned.

Any profits/losses emerging on the derecognition of assets, i.e. on disposal (from the date on which the purchaser obtains control over them) or when no further economic benefits are expected from their use or disposal, (being the difference between their carrying amount and the net consideration obtained) are recognized in the income statement at that time.

(iv) Leasing
Right-of-use assets are measured at cost and stated net of accumulated depreciation and impairment. They are also adjusted following remeasurement of the related lease liabilities. The cost of right-of-use assets comprises the amount of the lease liabilities recognized, the initial direct costs incurred and the lease payments made at or before the start date, net of any and all

incentives received. Right-of-use assets are depreciated on a straight-line basis from the start date until the end of the useful life of the asset, being the end of the usage right (duration of the lease contract).

If the lease contract transfers ownership of the underlying asset to the lessee at the end of the lease period, or if the cost of the right-of-use asset reflects the fact that the lessee will exercise the purchase option, the lessee must depreciate the right-of-use asset from the start date until the end of the useful life of the underlying asset. The corresponding liability to the lessor is classified among the financial payables.

(v) Leasehold improvements
Any leasehold improvements with the same characteristics as fixed assets are capitalized in the asset category to which they relate and depreciated over their useful lives or, if shorter, over the residual life of the lease.

3.7 Goodwill

As stated in section 3.2 Consolidation principles, goodwill represents the excess amount of the purchase cost with respect to the Group portion of the fair value of current and potential assets and liabilities at the date of purchase.

Goodwill is recorded at cost, net of impairment losses.

Goodwill is allocated to the cash generating units of the financial flows and is no longer amortized as from 1 January 2004 (date of transition to IFRS). The book value is measured in order to assess the absence of impairment (see section 3.9). Goodwill related to non-consolidated subsidiaries and associates is included in the value of the investment.

Any negative goodwill originating from acquisitions is entered directly in the income statement.

If the goodwill was allocated to a cash generating unit and the entity retires part of that unit's activities, the goodwill associated with the retired assets is added to their carrying amount when determining the profit or loss on retirement. The goodwill associated with the retired activity is determined with reference to the value of the retired assets with respect to those retained by the cash generating unit.

3.8 Other intangible assets

(i) Research and development costs
Research costs for the acquisition of new technical know-how are ascribed to the income statement when they arise.

Development costs relating to the creation of new products/accessories or new production processes are capitalized if the Group's companies can prove:

- the technical feasibility and intention of completing the intangible asset in such a way that it is available for use or for sale;
- their ability to use or sell the asset;
- the forecast volumes and realization values indicate that the costs incurred for development activities will generate future economic benefits;
- those costs are measurable in a reliable manner;
- and the resources exist to complete the development project.

The capitalized cost includes the cost of raw materials, directly related labor costs and a portion of indirect costs. Capitalized development costs are valued at cost, net of accumulated amortization, (see next point *v*) and impairment (see section 3.9). Other development costs are ascribed to the income statement when they arise.

(ii) Loan ancillary costs
Loan ancillary costs are treated as outlined in section 3.16. Ancillary costs relating to loans still to be paid out are recorded as current assets and deducted from the loan amounts after payment has been received.

(iii) Other intangible assets
Other intangible assets, all having a defined useful life, are measured at cost and recorded net of accumulated amortization (see next point *v*) and impairment (see section 3.9).

Trademarks and patents, which constitute almost the entirety of this caption, are amortized as follows: the Hammelmann trademark and NLB trademark and patents, the Inoxihp trademark, Inoxpa and the American Mobile trademark are amortized over 15 years, this period being considered representative of the expected useful life, in consideration of their positions as world leaders in their respective niche markets. The Walvoil, Reggiana Riduttori and Transtecno trademarks are amortized over 10 years, in consideration of their leadership positions in highly competitive markets.

Software licenses are amortized over their period of utilization (3-5 years).

The costs incurred internally for the creation of trademarks or goodwill are recognized in the income statement when they are incurred.

(iv) Subsequent costs
Costs incurred subsequently relative to intangible fixed assets are capitalized only if they increase the future economic benefits of the specific capitalized asset, otherwise they are entered in the income statement when they are sustained.

(v) Amortization/depreciation
Amortization amounts are recorded in the income statement on a straight-line basis in accordance with the estimated useful life of the capitalized assets to which they refer. The estimated useful life of assets is as follows:

- Patents and trademarks	5-15 years
- Development costs	5 years
- Granting of software and other licenses	3-5 years

The useful life is reviewed on an annual basis and any changes in the rates are made, where necessary, for future amounts.

3.9 Impairment of assets

The book values of assets, with the exception of inventories (see section 3.14), financial assets regulated by IFRS 9, deferred tax assets (see section 3.18), and non-current assets held for sale regulated by IFRS 5, are subject to measurement at the reporting date in order to identify the existence of possible indicators of impairment. If the valuation process identifies the presence of such indicators, the presumed recoverable value of the asset is calculated using the methods indicated in the following point (*i*).

The recoverable value of goodwill and intangible assets not yet in use is estimated at least annually, or more frequently if specific events provide evidence of possible impairment.

If the estimated recoverable value of the asset or its cash generating unit is lower than its net book value, the asset to which it refers is consequently adjusted for impairment loss with entry into the income statement.

Adjustments for impairment losses made in relation to the cash generating units are allocated initially to goodwill, and, for the remainder, to other assets on a proportional basis.

Goodwill is tested for impairment on a yearly basis even if there are no indicators of potential impairment.

(i) Calculation of presumed impairment loss
The estimated recoverable value of other assets is equal to their fair value less selling costs or, if greater, their value in use. The value in use is equivalent to the projected future cash flows, discounted to present value at a rate, including tax, that takes account of the market value, of interest rates and specific risks of the asset to which the presumed realization value refers. For assets that do not give rise to independent cash flows the presumed realization value is determined with reference to the cash generating unit to which the asset belongs.

(ii) Reinstatement of impairment losses
An impairment relative to other assets is reinstated if a change has occurred in the estimate used to determine the presumed recovery value.

Impairment is reinstated to the extent of the corresponding book value that would have been determined, net of depreciation/amortization, if no impairment loss had ever been recognized.

Impairment related to goodwill can never be reinstated.

3.10 Equity investments

Investments in associates are measured using the equity method, as envisaged in IAS 28 (see section 3.2 *(ii) Associates*).

Information about the investments in equity instruments (investments in other companies) is provided in section 3.12 Financial assets (Trade receivables, Other financial assets and Other assets).

3.11 Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank and post office deposits, and securities having original maturity date of less than three months. Current account overdrafts and advances with recourse are deducted from cash only for the purposes of the cash-flow statement.

3.12 Financial assets (Trade receivables, Other financial assets and Other assets)

Depending on the circumstances, financial assets are measured as follows at the time of initial recognition: amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVPL). Again at the time of initial recognition, financial assets are classified with reference to the characteristics of the related contractual cash flows and the business model used by the Group for their management. With the exclusion of trade receivables that do not contain a significant financing component, the Group initially measures financial assets at their fair value, including transaction costs in the case of those not measured at fair value through profit and loss. Trade receivables that do not have a significant financial component are measured at their transaction price, as defined in accordance with IFRS 15.

Financial assets are measured at amortized cost if the objective of the underlying business model is to hold them for the purpose of collecting cash flows (Hold to Collect - HTC), and the related contractual terms envisage the receipt of cash flows on predetermined dates that comprise solely payments of principal and interest (SPPI) on the outstanding principal. Financial assets measured at amortized cost are subsequently measured using the effective interest method and are subject to impairment adjustments. Profits and losses are recognized in the income statement when assets are derecognized, modified or remeasured.

Financial assets are measured at fair value through other comprehensive income (FVOCI) if the objective of the underlying business model is satisfied by the collection of contractual cash flows or by the sale of the financial assets (Hold to Collect and Sell - HTCS), and the related contractual terms envisage the receipt of cash flows on predetermined dates that comprise solely payments of principal and interest (SPPI) on the outstanding principal. For assets represented by debt instruments measured at fair value though other comprehensive income (OCI), the related interest income, exchange differences and impairment losses and writebacks are measured with reference to the amortized cost method and recognized in the income statement. The remaining changes in fair value are recognized in OCI. Upon derecognition, the cumulative change in fair value recognized in OCI is reclassified to the income statement. Upon initial recognition, the Group may irrevocably elect to classify its equity investments as capital instruments recognized at fair value through other comprehensive income (FVOCI), in view of the strategic nature of the investments concerned. Such classification is determined individually for each instrument. The profits and losses deriving from these financial assets are never reclassified to the income statement. Capital instruments measured at FVOCI are not subjected to impairment testing.

If an asset is not measured in one of the above two ways, it must be measured at fair value through profit and loss (FVPL). This category therefore comprises both assets held for trading and assets designated on initial recognition as financial assets measured at fair value through profit and loss, as well as the financial assets that must be measured at fair value.

In compliance with IFRS 9, commencing from 1 January 2018, the Group has adopted a new impairment model for financial assets measured at amortized cost or at fair value through other comprehensive income (FVOCI), except for capital instruments and assets deriving from contracts with customers. This new model is based on determining the expected credit loss (ECL), which replaced the incurred loss model envisaged previously. The standard envisages adoption of the following methodologies: the General deterioration method and the Simplified approach. The General deterioration method requires financial instruments to be classified in three stages, depending on the extent of the deterioration in the credit quality between the date of initial recognition and the measurement date:

- *Stage 1*: for assets that have not suffered a significant increase in credit risk since the moment of initial recognition or that have a low credit risk at the reference date, a provision must be recorded that reflects the 12-month ECL, by estimating the expected loss with reference to the default events considered possible over the following 12 months;

- *Stages 2 and 3*: for assets that, on the other hand, have suffered a significant increase in credit risk, the Company must record a provision equal to the loss expected over their entire residual lives, having regard for the possible probabilities of default that might emerge over the entire life of the instrument (Lifetime ECL).

For trade receivables, contract assets and amounts due under leasing contract, the “simplified approach” envisages that the loss must be recognized using a lifetime approach and, accordingly, “stage allocation” is not required. The standard establishes that the loss rates may be estimated by classes of customer that have the same loss paths. The standard does not define specific criteria for the segmentation of customers, leaving entities free to select the sampling subsets in a manner that ensures consistency with historical experience. Accordingly, depending on their customer base, each entity must create a provision matrix by grouping its customers into clusters considering a number of different factors and variables, such as geographical area, product category and credit rating. Expected losses are generally determined by multiplying: (i) the exposure to the counterpart, net of related guarantees (known as Exposure At Default, EAD); (ii) the probability that the counterpart will not meet its payment obligation (known as Probability of Default, PD); (iii) the estimate, in percentage terms, of the amount of the receivable that will be recovered upon default (known as Loss Given Default, LGD).

Within the simplified model, an analytical approach has been applied in relation to trade receivables deemed by management to be individually significant, and for which more detailed information is available about the significant increase in credit risk.

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognized (i.e. removed from the statement of financial position) when:

- the right to receive cash flows deriving from the asset has expired, or
- the Company has transferred the right to receive cash flows deriving from the asset to a third party, or has accepted a contractual obligation to pay them over in full and without delay and (a) has transferred substantially all the risks and benefits of ownership of the financial asset, or (b) has not transferred or retained substantially all the risks and benefits of ownership of the financial asset, but has transferred control over it.

The profit (loss) on a financial asset that is measured at amortized cost and is not included in a hedging relationship must be recognized in profit (loss) in the year in which it is derecognized or reclassified, or via the amortization process or when impairment adjustments are recorded.

3.13 Derivative financial instruments

It is Group policy to avoid subscribing speculative derivative financial instruments, although, when derivative financial instruments fail to meet the requirements for the accounting of hedging derivatives (hedge accounting), changes to the fair value of such instruments are booked to the income statement as financial charges and/or income.

Derivative financial instruments are brought to account using hedge accounting methods when:

- formal designation and documentation of the hedge relation is present at the start of the hedge;
- the hedge is expected to be highly effective;
- effectiveness can be reliably measured and the hedge is highly effective during the periods of designation.

The method used to recognize derivative financial instruments depends on whether or not the conditions and requirements of IFRS 9 are fulfilled. Specifically, it clarifies that:

(i) Cash flow hedges
In the case of a derivative financial instrument for which formal documentation is provided of the hedging relation of the variations in cash flows originating from an asset or liability of a future transaction (underlying hedged variable), considered to be highly probable and that could impact on the income statement, the effective hedge portion deriving from the adaptation of the derivative financial instrument to fair value is recognized directly in equity. When the underlying hedged item is delivered or settled, the relative provision is derecognized from equity and attributed at the recording value of the underlying element. The ineffective portion,

if present, of the change in value of the hedging instrument is immediately ascribed to the income statement under financial expenses and/or income.

When a hedging financial instrument expires, is sold, terminated, or exercised, or the company changes the relationship with the underlying variable, and the forecast transaction has not yet occurred although it is still considered likely, the relative gains or losses deriving from adjustment of the financial instrument to fair value are still retained in equity and are recognized in the income statement when the transaction takes place in accordance with the situation described above. If the forecast transaction related to the underlying risk is no longer expected to occur, the relative gains or losses of the derivative contract, originally deferred in equity, must be taken to the income statement immediately.

(ii) Hedges of monetary assets and liabilities (Fair value hedges)
When a derivative financial instrument is used to hedge changes in value of a monetary asset or liability already recorded in the financial statements that can impact on the income statement, the gains and losses relative to the changes in the fair value of the derivative instrument are taken to the income statement immediately. Likewise, the gains and losses relative to the hedged item modify the book value of said item and are recognized in the income statement.

3.14 Inventories

Inventories are measured at the lower of purchase cost or their estimated realizable value. Cost is determined on a weighted-average basis and includes all costs incurred to purchase the materials and transform them into their state and condition at the reporting date. The cost of semi-finished goods and finished products includes a portion of indirect costs determined on the basis of normal production capacity. Write down provisions are calculated for materials, semi-finished goods and finished products considered to be obsolete or slow moving, taking account of their expected future usefulness and their realization value. The net realization value is estimated taking account of the market price during the course of normal business activities, from which the costs of completion and costs of sale are subsequently deducted.

3.15 Share capital and treasury shares

In the case of purchase of treasury shares, the price paid, inclusive of any directly attributable ancillary costs, is deducted from share capital for the portion concerning the nominal value of shares and from shareholders' equity for the surplus portion. When said treasury shares are resold or reissued, the price collected, net of any directly attributable ancillary charges and the relative tax effect, is recorded as share capital for the portion concerning the nominal value of shares and as shareholders' equity for the surplus.

3.16 Financial liabilities (Trade payables, Bank payables, Interest-bearing financial payables and Other liabilities)

On initial recognition, financial liabilities are measured at fair value through profit and loss and classified either as loans or as derivatives designated as hedging instruments. All financial liabilities are initially recognized at fair value, including directly-attributable transaction costs in the case of loans and payables. Following initial recognition, loans are measured at amortized cost using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated collections over the expected life of the financial instrument or the future payments to the gross carrying amount of the financial asset or the amortized cost of the financial liability. Profits and losses are recognized in the income statement when liabilities are settled, as well as via the amortization process. Amortization using the effective interest rate is classified among financial expenses in the income statement.

A financial liability is derecognized when the underlying obligation expires or when the obligation specified in the contract is settled, canceled or expires.

Trade payables and other debts, the relative due date of which is within normal commercial terms, are not discounted to present value and are entered at the amortized cost representative of their discharge value.

Current financial liabilities include the short-term portions of the interest-bearing financial payables, bank and lease payables and other financial liabilities.

3.17 Liabilities for employee benefits

(i) Defined contribution plans
The Group participates in defined pension plans with public administration or private plans on a compulsory, contractual, or voluntary basis. The payment of contributions fulfills the Group's obligations towards its employees. The contributions therefore constitute costs of the period in which they are due.

(ii) Defined benefit plans
Defined benefits for employees disbursed on termination of their employment with the Group or thereafter, and which include severance indemnity of Italian companies, are calculated separately for each plan, using actuarial techniques to estimate the amount employees have accrued in the year and in previous years. The resulting benefit is discounted to present value and recorded net of the fair value of any relative assets. The discount rate on the reporting date is calculated as required by IAS 19 with reference to the market yield of high quality corporate bonds. Only the securities of corporate issuers with an "AA" rating are considered, on the assumption that this class identifies a high rating level in the context of "Investment Grade" (IG) securities, with the exclusion, therefore, of higher risk securities. Considering that IAS 19 makes no explicit reference to a specific product sector, we opted for a composite market curve that summarizes the market conditions existing at the date of valuation of the securities issued by companies operating in various sectors including utilities, telecommunications, finance, banking and industrial. At 31 December 2020, analysis of the above rate curve for “AA” securities used for actuarial valuation purposes indicates a sharp reduction in expected yields (negative for the eighth year), with respect to that at 31 December 2019 used for the previous actuarial valuation. The reduction in the yield curve reflects the major tensions that marked the year just ended and which continue to influence the financial markets. The spread of the Covid-19 pandemic has had a significant impact on all financial markets, causing sharp mark-downs and liquidity reductions, even for such low risk assets as investment grade corporate bonds. The healthcare emergency, with all its consequences, has significantly curtailed the outlook for business profitability and, at a more detailed level, the firms active in the transport, finance, general services and real estate sectors have been worst hit. Although corporate bonds have benefited from the repurchase programs activated by central banks and the European Recovery Fund, and broad monetary and fiscal support has reduced defaults in the short term, the decline in revenues has markedly increased the percentage of issuers in difficulty and raised the default risk. As a result, the rating agencies have downgraded many companies. In Italy, the decline in creditworthiness was most evident in the transport sector, while downgrades in other Euro area countries have included automobile manufacturers. Despite the improvement in yields during 2020, the forecasts all point to heavy reductions with negative yields in the coming years. The defined benefit obligation is calculated on an annual basis by an independent actuary using the projected unit credit method.

If the plan benefits increase, the prior-service portion of the increase is charged to the income statement on a straight-line basis over the period in which the related rights will be acquired. If the rights are acquired immediately, the increase is recognized immediately in the income statement.

Actuarial profits and losses are recognized in a specific equity reserve on an accrual basis.

Until 31 December 2006 the severance indemnity provision (TFR) of Italian companies was considered to be a defined benefits plan. The rules governing the provision were amended by Law no. 296 of 27 December 2006 ("2007 Finance Act") and by subsequent Decrees and Regulations enacted in the initial months of 2007. In the light of these changes, and in particular with reference to companies with at least 50 employees, the TFR severance indemnity should now be classified as a defined benefits plan exclusively for the portions accrued prior to 1 January 2007 (and not yet paid out at the date of the financial statements), while after that date TFR should be considered as a defined contributions plan.

(iii) Stock options
On the basis of the stock option plan currently in existence, certain employees and directors are entitled to purchase the treasury shares of Interpump Group S.p.A. The options are measured at their fair value, which is charged to the income statement as an increase in the cost of personnel and directors, with a matching entry to the share premium reserve for share-based payment transactions. Fair value is measured at the grant date of the option and recorded in the income statement in the period that runs between said date and the date on which the options become exercisable (vesting period), after the conditions relating to the achievement of objectives and/or the provision of services have been met. The costs accumulated in relation to these transactions at each reporting date through maturity are apportioned with reference to the vesting dates and the best estimate of the number of participating instruments that will actually vest. The cost or income reported in the income statement reflects the change in the accumulated costs between the start and the end of the year.

No costs are recognized for rights that do not vest, except in the case of rights whose assignment is dependent on market conditions or a non-vesting condition. These are treated as if vested, regardless of whether or not the market conditions or other non-vesting conditions have been satisfied, without prejudice to the fact that all other performance and/or service conditions must still be satisfied. If the plan conditions are amended, the minimum cost recognized is that which would have been incurred without the plan amendment. A cost is also recognized for each amendment that increases the total fair value of the payment plan, or that is in any case favorable for employees; this cost is measured with reference to the amendment date.

The diluting effect of unexercised options is reflected in the calculation of diluted earnings per share.

The fair value of the option is determined using the applicable options measurement method (specifically, the binomial lattice model), taking account the terms and conditions at which the options were granted.

3.18 Income taxes

Income taxes disclosed in the income statement include current and deferred taxes. Income taxes are generally disclosed in the income statement, except when they refer to types of items that are recorded directly under shareholders' equity. In this case, the income taxes are also recognized directly in equity.

Current taxes are taxes that are expected to be due, calculated by applying to the taxable income the tax rate in force at the reporting date and the adjustments to taxes of prior years.

Deferred taxes are calculated using the liability method on the timing differences between the amount of assets and liabilities in the consolidated financial statements and the corresponding values recognized for tax purposes. Deferred tax liabilities are recognized in relation to all taxable temporary differences, except for:

– the deferred tax liabilities deriving from the initial recognition of goodwill or an asset or liability in a transaction that does not represent a business combination and, at the time of the transaction, does not affect the reported results or taxable income;

– reversals of taxable temporary differences, associated with investments in subsidiaries, associates and joint ventures, that can be controlled and that are unlikely to occur in the foreseeable future.

Deferred tax assets are recognized in relation to all deductible temporary differences, tax credits and unused tax losses carried forward, to the extent that future taxable income is likely to be sufficient to allow the recovery of the deductible temporary differences, tax credits and tax losses carried forward, except for:

– the deferred tax assets linked to deductible temporary differences that derive from the initial recognition of an asset or liability in a transaction that does not represent a business combination and, at the time of the transaction, does not affect the reported results or taxable income;

– the deferred tax assets linked to deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, which are only recognized if they are likely to reverse in the foreseeable future and there will be sufficient taxable income for the recovery of such temporary differences.

Deferred taxes are calculated in accordance with the envisaged method of transfer of timing differences, using the tax rate in force at the reference date of years in which the timing differences arose.

Deferred tax assets are recognized exclusively in the event that it is probable that in future years sufficient taxable incomes will be generated for the realization of said deferred taxes. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that future taxable income is no longer likely to be sufficient to allow the recovery of such assets, in whole or in part. Any unrecognized deferred tax assets are reviewed at each reporting date and recognized to the extent that it has become is probable that future taxable income will be sufficient to allow their recovery.

3.20 Provisions for risks and charges

In cases where the Group has a legal or substantial obligation resulting from a past event, and when it is probable that the loss of economic benefits must be sustained in order to fulfill such an obligation, a specific provision for risks and charges is created. If the temporal factor of the envisaged loss of benefits is significant, the amount of the future cash outflows is discounted to present values at a rate, gross of taxes, that takes account of the market interest rates and the specific risk of the liability referred to.

(i) Product warranty provision
Liabilities for warranty repairs are allocated to the specific product warranty provision at the time of sale of the products. The provision is determined on the basis of historic data describing the cost of warranty repairs.

(ii) Restructuring provision
A restructuring provision is formed exclusively in the event that the Group has approved a formal and detailed restructuring plan and has started to implement it or has published it before the reporting date. In other cases, the future costs are not set aside.

(iii) Onerous contracts
When the forecast future benefits of a contract are less than the non-eliminable costs relating to it, a specific provision is created equivalent to the difference.

3.21 Revenues

(i) Revenues from the sale of goods and services
Revenues deriving from contracts with customers are recognized on the basis of the following 5 steps: (i) identification of the contract with the customer; (ii) identification of the contractual performance obligations to be transferred to the customer in exchange for the transaction price; (iii) determination of the transaction price; (iv) allocation of the transaction price to the individual performance obligations; (v) recognition of the revenue when the associated performance obligation is fulfilled. Revenues are recognized at the amount of the consideration to which the Group considers it is entitled on satisfaction of the obligation, when the customer acquires control over the goods or services transferred. The Group has identified a single revenue stream from the sale of products and spare parts representing the obligations satisfied at a given point in time. Revenues from the sale of products are recognized when the significant risks and benefits associated with control over the goods are transferred to the purchaser. The change of control coincides with the transfer of ownership or possession of the goods to the purchaser and, therefore, generally occurs on shipment or on completion of the service.

(ii) State grants
State grants are recorded as deferred revenue under other liabilities when it becomes reasonably certain that they will be disbursed and when the Group has fulfilled all the necessary conditions to obtain them. Grants received against costs sustained are recorded in the income statement systematically in the same periods in which the relative costs are incurred.

3.23 Costs

(ii) Lease installments
The principal portion of lease installments is deducted from the financial payable, while the interest portion is charged to the income statement.

(ii) Financial income and charges
Financial revenues and charges are recorded on an accrual basis in accordance with the interest matured on the net value of the relative financial assets and liabilities, using the effective interest rate. Financial charges and income include currency exchange gains and losses and gains and losses on derivative instruments to be charged to the income statement (see section 3.13).

4. Business sector information

Business sector information is supplied with reference to the operating sectors. We also present the information required by IFRS by geographical area. The information provided about business sectors reflects the Group's internal reporting structure.

The value of components and products transferred between sectors is generally the effective sales price between Group companies and corresponds to the best customer sale prices.

Sector information includes directly attributable costs and costs allocated on the basis of reasonable estimates. Holding company costs, i.e. remuneration of directors, statutory auditors and functions of the Group's financial management, control and internal auditing, and also consultancy costs and other related costs, are allocated to each sector on the basis of sales.

The Group comprises the following business sectors:

Water Jetting Sector. This sector is mainly composed of high- and very-high-pressure pumps and pumping systems used in a wide range of industrial sectors for the conveyance of fluids. High pressure plunger pumps are the main component of professional pressure washers. These pumps are also employed for a broad range of industrial applications including car wash installations, forced lubrication systems for machine tools, and inverse osmosis systems for seawater desalination plants. Very high pressure pumps and systems are used for cleaning surfaces, ship hulls, various types of hoses, and also for removing machining burr, cutting and removing cement, asphalt, and paint coatings from stone, cement and metal surfaces, and for cutting solid materials. The Sector also includes high pressure homogenizers, mixers, agitators, piston pumps, valves and other machines produced mainly for the food processing industry and also used in the chemicals and cosmetics sectors.

Hydraulic Sector. This sector includes the production and sale of power take-offs, hydraulic cylinders and pumps, directional controls, valves, hydraulic hoses and fittings, gears and other hydraulic components. Power take-offs are mechanical devices designed to transmit drive from an industrial vehicle engine or transmission to power a range of ancillary services through hydraulic components. These products, combined with other hydraulic components (spool valves, controls, etc.) allow the execution of special functions such as lifting tipping bodies, operating truck-mounted cranes and operating mixer trucks. Hydraulic cylinders are components of the hydraulic system of various vehicle types employed in a wide range of applications depending on the type. Front-end and underbody cylinders (single acting) are utilized mainly on industrial vehicles in the construction sector, while double acting cylinders are utilized in a range of applications: earthmoving machinery, agricultural machinery, cranes and truck cranes, waste compactors, etc. Hydraulic lines and fittings are used in a vast range of hydraulic equipment and are also employed in very high pressure water systems. Gears facilitate the mechanical transmission of energy, with applications in various industrial sectors including agriculture, materials handling, mining, heavy industry, marine & offshore, aerial platforms, forestry and sugar production.

Interpump Group business sector information
(Amounts shown in €/000)

	Hydraulic		Water Jetting		Elimination entries		**Interpump Group**	
	2020	2019	2020	2019	2020	2019	2020	2019
Net sales external to the Group	881,570	902,247	412,793	466,371	-	-	1,294,363	1,368,618
Sales between sectors	850	894	2,110	2,537	(2,960)	(3,431)	-	-
Total net sales	**882,420**	**903,141**	**414,903**	**468,908**	**(2,960)**	**(3,431)**	**1,294,363**	**1,368,618**
Cost of sales	(603,302)	(616,570)	(230,482)	(253,555)	2,906	3,424	(830,878)	(866,701)
Gross industrial margin	**279,118**	**286,571**	**184,421**	**215,353**	**(54)**	**(7)**	**463,485**	**501,917**
% on net sales	*31.6%*	*31.7%*	*44.4%*	*45.9%*			*35.8%*	*36.7%*
Other net revenues	13,340	14,225	6,070	6,762	(827)	(872)	18,583	20,115
Distribution costs	(67,972)	(69,911)	(45,794)	(54,792)	413	380	(113,353)	(124,323)
General and administrative expenses	(93,209)	(88,216)	(54,409)	(57,839)	468	499	(147,150)	(145,556)
Other operating costs	(9,621)	(3,873)	(4,285)	(1,066)	-	-	(13,906)	(4,939)
Ordinary profit before financial charges	**121,656**	**138,796**	**86,003**	**108,418**	-	-	**207,659**	**247,214**
% on net sales	*13.8%*	*15.4%*	*20.7%*	*23.1%*			*16.0%*	*18.1%*
Financial income	7,481	9,713	10,106	6,877	(1,409)	(1,528)	16,178	15,062
Financial charges	(14,940)	(9,595)	(7,841)	(9,971)	1,409	1,528	(21,372)	(18,038)
Dividends	-	-	39,702	15,001	(39,702)	(15,001)	-	-
Equity method contribution	82	(111)	19	103	-	-	101	(8)
Profit for the year before taxes	**114,279**	**138,803**	**127,989**	**120,428**	**(39,702)**	**(15,001)**	**202,566**	**244,230**
Income taxes	(18,896)	(36,255)	(10,399)	(27,373)	-	-	(29,295)	(63,628)
Consolidated profit for the year	**95,383**	**102,548**	**117,590**	**93,055**	**(39,702)**	**(15,001)**	**173,271**	**180,602**
Pertaining to:								
Parent company's shareholders	93,343	101,764	117,339	92,407	(39,702)	(15,001)	170,980	179,170
Subsidiaries' minority shareholders	2,040	784	251	648	-	-	2,291	1,432
Consolidated profit for the year	**95,383**	**102,548**	**117,590**	**93,055**	**(39,702)**	**(15,001)**	**173,271**	**180,602**
Further information required by IFRS 8								
Amortization, depreciation and write-downs	55,430	47,548	21,677	21,736	-	-	77,107	69,284
Other non-monetary costs	9,676	3,227	5,349	2,756	-	-	15,025	5,983

Financial position
(Amounts shown in €/000)

	Hydraulic		Water Jetting		Elimination entries		**Interpump Group**	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Assets of the sector (A)	**1,232,414**	**1,203,237**	**704,940**	**738,412**	**(131,234)**	**(146,750)**	**1,806,120**	**1,794,899**
Cash and cash equivalents							343,170	233,784
Total assets							**2,149,290**	**2,028,683**
Liabilities of the sector (B)	**353,588**	**356,475**	**101,603**	**105,000**	**(131,234)**	**(146,750)**	**323,957**	**314,725**
Debts for the payment of investments							62,686	54,286
Bank payables							10,592	22,076
Interest-bearing financial payables							602,078	582,522
Total liabilities							**999,313**	**973,609**
Total assets, net (A-B)	**878,826**	**846,762**	**603,337**	**633,412**	**-**	**-**	**1,482,163**	**1,480,174**
<u>Further information required by IFRS 8</u>								
Investments carried equity	998	1,017	270	272	-	-	1,268	1,289
Non-current assets other than financial assets and deferred tax assets	718,913	670,210	353,092	359,085	-	-	1,072,005	1,029,295

At unchanged perimeter, the Hydraulic Sector and the Water Jetting Sector are compared as follows:

	Hydraulic Sector		Water Jetting Sector	
	2020	2019	2020	2019
Net sales external to the Group	765,561	902,247	409,433	466,371
Sales between sectors	850	894	2,006	2,537
Total net sales	**766,411**	**903,141**	**411,439**	**468,908**
Cost of sales	(525,130)	(616,570)	(228,667)	(253,555)
Gross industrial margin	**241,281**	**286,571**	**182,772**	**215,353**
% on net sales	*31.5%*	*31.7%*	*44.4%*	*45.9%*
Other net revenues	11,958	14,225	5,944	6,762
Distribution costs	(58,815)	(69,911)	(45,586)	(54,792)
General and administrative expenses	(80,214)	(88,216)	(53,714)	(57,839)
Other operating costs	(9,324)	(3,873)	(4,258)	(1,066)
Ordinary profit before financial charges	**104,886**	**138,796**	**85,158**	**108,418**
% on net sales	*13.7%*	*15.4%*	*20.7%*	*23.1%*
Financial income	5,608	9,713	10,106	6,877
Financial charges	(11,796)	(9,595)	(7,826)	(9,971)
Dividends	-	-	38,502	15,001
Equity method contribution	82	(111)	19	103
Profit for the year before taxes	**98,780**	**138,803**	**125,959**	**120,428**
Income taxes	(15,944)	(36,255)	(10,188)	(27,373)
Consolidated profit for the year	**82,836**	**102,548**	**115,771**	**93,055**
Pertaining to:				
Parent company's shareholders	82,292	101,764	115,520	92,407
Subsidiaries' minority shareholders	544	784	251	648
Consolidated profit for the year	**82,836**	**102,548**	**115,771**	**93,055**

Cash flows for the year by business sector are as follows:

€/000	Hydraulic		Water Jetting		Total	
	2020	2019	2020	2019	2020	2019
Cash flows from:						
Operating activities	193,975	126,472	86,900	86,049	280,875	212,521
Investing activities	(43,338)	(55,047)	(55,625)	(42,063)	(98,963)	(97,110)
Financing activities	(73,444)	(43,404)	17,687	42,397	(55,757)	(1,007)
Total	77,193	28,021	48,962	86,383	126,155	114,404

The investing activities of the Hydraulic Sector included €1,990k associated with the acquisition of equity investments (€16,347k in 2019). The investing activities of the Water Jetting Sector included €37,789k associated with the acquisition of equity investments (€26,505k in 2019).

The cash flows deriving from the financing activities of the Hydraulic Sector include the payment of dividends to Water Jetting Sector companies totaling €39,702k (€15,001k in 2019). Moreover, the cash flows deriving from the financing activities of the Water Jetting Sector in 2020 included proceeds from the sale of treasury shares to the beneficiaries of stock options totaling €14,480k (€3,823k in 2019), outlays for the purchase of treasury shares amounting to €48,488k (€78,993k in 2019) and the payment of dividends of €27,125k (€23,324k in 2019).

Geographical sectors

The Group's sector-based operations are divided into five geographical areas, even though management is conducted on a global level.

A breakdown of sales by geographical area is provided below:

	2020 (€/000)	%	2019 (€/000)	%	Growth
Italy	200,063	16	221,055	16	-9.5%
Rest of Europe	467,228	36	486,969	36	-4.1%
North America	339,250	26	371,029	27	-8.6%
Far East and Oceania	172,798	13	156,794	11	+10.2%
Rest of the World	115,024	9	132,771	10	-13.4%
Total	*1,294,363*	100	*1,368,618*	100	-5.4%

Data by geographical sector on the basis of the location of non-concurrent assets other than financial assets and deferred tax assets are as follows:

	31/12/2020 (€/000)	31/12/2019 (€/000)
Italy	710,873	654,866
Rest of Europe	179,298	183,573
North America	135,489	137,804
Far East and Oceania	17,036	16,173
Rest of the World	29,309	36,879
Total	1,072,005	1,029,295

The geographical areas to which operations are assigned depend on the nationality of the company performing them. No companies have operations in more than one area.

5. Business combinations

Transtecno Group

As mentioned, the Transtecno Group (Hydraulic Sector), active in the design, production and sale of gears and ratiomotors, was consolidated for the first time in 2020. The parent company based in Anzola Emilia (Bologna) has branches in China, the Netherlands, Spain, the USA and Mexico. Transtecno makes a medium-low power range of products that are used in a multitude of sectors, with specific lines designed for poultry farming, car wash systems and renewable energy (biomass boilers and solar panels). The modular design approach facilitates the optimization of distribution, reducing the need for burdensome inventories and simplifying the work of distributors. The complete list of companies acquired is shown below:

Company	*Head office*	*% held*	*Sector*
Tecnoholding S.r.l.	Anzola dell'Emilia (BO)	60.00%	Hydraulic
Transtecno S.r.l. (1)	Anzola dell'Emilia (BO)	100.00%	Hydraulic
Exportecno S.r.l. (1)	Anzola dell'Emilia (BO)	100.00%	Hydraulic
Datatecno S.r.l. (1)	Anzola dell'Emilia (BO)	100.00%	Hydraulic
Intecno S.r.l. (1)	Anzola dell'Emilia (BO)	81.00%	Hydraulic
Transtecno Iberica the Modular Gearmotor S.A. (1)	Gava (Spain)	50.40%	Hydraulic
Hangzhou Transtecno Power Transmission Co Ltd (1)	Hangzhou (China)	72.00%	Hydraulic
Transtecno B.V. (1)	Amersfoort (Netherlands)	51.00%	Hydraulic
Transtecno Aandrijftechniek B.V. (2)	Amersfoort (Netherlands)	51.00%	Hydraulic
MA Transtecno S.A.P.I. de C.V. (1)	Apodaca (Mexico)	50.40%	Hydraulic
Transtecno USA LLC (3)	Miami (USA)	100.00%	Hydraulic

(1) = controlled by Tecnoholding S.r.l.
(2) = controlled by Transtecno B.V.
(3) = controlled by MA Transtecno S.A.P.I. de C.V.

The binding contract for the acquisition of 60% of the Transtecno Group was signed on 27 December 2019, while the closing took place on 14 January 2020. Solely for accounting purposes, 1 January 2020 was designated as the acquisition date, there being no significant differences between then and the actual acquisition date.

The assets and liabilities of the Transtecno Group were as follows at the time of the first consolidation:

€/000	Amounts acquired	Adjustments to fair value to fair value	Carrying values in the acquiring company
Cash and cash equivalents	10,531	-	10,531
Trade receivables	8,730	-	8,730
Inventories	11,990	-	11,990
Tax receivables	892	-	892
Other current assets	523	-	523
Property, plant and equipment	8,407	-	8,407
Other intangible assets	108	5,982	6,090
Other financial fixed assets	1	-	1
Deferred tax assets	559	-	559
Other non-current assets	143	-	143
Trade payables	(6,951)	-	(6,951)
Bank payables	(2,630)	-	(2,630)
Financial payables to banks (current portion)	(2,829)	-	(2,829)
Tax payables	(849)	-	(849)
Other current liabilities	(2,288)	-	(2,288)
Payable for purchase of investments (current portion)	(84)	-	(84)
Financial payables to banks (non-current portion)	(916)	-	(916)
Leasing payables (non-current portion)	(4,260)	-	(4,260)
Deferred tax liabilities	(15)	(1,669)	(1,684)
Employee benefits (severance indemnity provision)	(1,220)	-	(1,220)
Minority interests	(3,795)	-	(3,795)
Net assets acquired	16,047	4,313	20,360
Goodwill related to the acquisition			50,817
Total net assets acquired			**71,177**
Total amount paid in cash			21,934
Amount paid by assigning treasury shares			14,051
Amount due in medium/long-term			35,192
Total acquisition cost (A)			**71,177**
Net financial position acquired (B)			104
Total amount paid in cash			21,934
Medium-/long-term payables for the purchase of equity investments			35,192
Total change in the net financial position including change in debt for the acquisition of investments			57,230
Amount paid by assigning treasury shares			14,051
Total			**71,281**
Capital employed (A) + (B)			**71,281**

The amounts for subsidiaries not resident in the EU were translated using the exchange rates at 31 December 2019. The transaction was recorded using the acquisition method.

The fair value of the trademark classified in other intangible assets was measured by an internal appraisal.

Reggiana Riduttori Group

The Reggiana Riduttori Group has been consolidated since October 2019. New information obtained in 2020 made it possible to determine the PPA more precisely. The new allocation, which became final at the end of 2020, is presented below:

€/000	Amounts acquired	Adjustments to fair value to fair value	Carrying values in the acquiring company
Cash and cash equivalents	19,277	-	19,277
Trade receivables	18,904	-	18,904
Inventories	39,428	-	39,428
Tax receivables	1,616	-	1,616
Other current assets	476	-	476
Property, plant and equipment	19,097	-	19,097
Other intangible assets	421	9,207	9,628
Other financial assets	31	-	31
Deferred tax assets	3,118	-	3,118
Other non-current assets	52	-	52
Trade payables	(13,750)	-	(13,750)
Bank payables	(1,262)	-	(1,262)
Bank payables - loans (current portion)	(1,440)	-	(1,440)
Leasing payables (current portion)	(6)	-	(6)
Derivative instruments	(81)	-	(81)
Tax payables	(1,834)	-	(1,834)
Other current liabilities	(2,971)	-	(2,971)
Provisions for risks and charges (current portion)	(50)	-	(50)
Bank payables - loans (medium-/long-term portion)	(150)	-	(150)
Leasing payables (non-current portion)	(8,843)	-	(8,843)
Employee benefits (severance indemnity provision)	(928)	-	(928)
Deferred tax liabilities	(879)	(2,569)	(3,448)
Provision for risks (non-current portion)	(16)	-	(16)
Other non-current liabilities	(1)	-	(1)
Minority interests	(175)	-	(175)
Net assets acquired	70,034	6,638	76,672
Goodwill related to the acquisition			53,431
Total net assets acquired			**130,103**
Total amount paid in cash			15,788
Amount paid by assigning shares			98,707
Total amount payable			15,608
Total acquisition cost (A)			**130,103**
Net financial position acquired (B)			(7,576)
Total amount paid in cash			15,788
Price adjustment payable			15,608
Total change in the net financial position including change in debt for the acquisition of investments			23,820
Amount paid by assigning shares			98,707
Total			**122,527**
Capital employed (A) - (B)			**122,527**

The fair value of the trademark was determined by an internal appraisal.

The transaction was recorded using the acquisition method.

Servizi Industriali S.r.l.

On 22 May 2020, a preliminary agreement was signed for the acquisition of 80% of Servizi Industriali S.r.l., active in the design, production and commercialization of centrifugal separators and offering synergies with the activities of the Group. The closing for the transfer of the quotas took place on 21 July 2020. Solely for accounting purposes, 1 July 2020 was designated as the acquisition date, there being no significant differences between then and the actual acquisition date.

The provisional purchase price allocation at 31 December 2020 is presented below.

€/000	Amounts acquired	Adjustments to fair value to fair value	Carrying values in the acquiring company
Cash and cash equivalents	1,959	-	1,959
Trade receivables	1,106	-	1,106
Inventories	1,673	-	1,673
Tax receivables	48	-	48
Other current assets	48	-	48
Property, plant and equipment	778	-	778
Other intangible assets	2	-	2
Other financial assets	1	-	1
Deferred tax assets	85	-	85
Other non-current assets	3	-	3
Trade payables	(906)	-	(906)
Bank payables	(1)	-	(1)
Bank payables - loans (current portion)	(584)	-	(584)
Tax payables	(293)	-	(293)
Other current liabilities	(492)	-	(492)
Bank payables – loans (medium-/long-term portion)	-	-	-
Leasing payables (non-current portion)	(679)	-	(679)
Employee benefits (severance indemnity provision)	(713)	-	(713)
Net assets acquired	2,035		2,035
Goodwill related to the acquisition			3,268
Total net assets acquired			**5,303**
Total amount paid in cash			4,000
Payables related to the acquisition of investments			1,303
Total acquisition cost (A)			**5,303**
Net liquidity acquired (B)			(695)
Total amount paid in cash			4,000
Payables related to the acquisition of investments			1,303
Total change in the net financial position including change in debt for the acquisition of investments			**4,608**
Capital employed (A) - (B)			**4,608**

The transaction was recorded using the acquisition method.

6. Cash and cash equivalents

	31/12/2020 (€/000)	31/12/2019 (€/000)
Cash	290	102
Bank deposits	341,794	232,994
Other liquid funds	1,086	688
Total	343,170	233,784

Cash and cash equivalents at 31 December 2020 include amounts denominated in foreign currencies, as shown below:

	Amounts in €/000	Amount in original currency
Euro	253,347	253,347
US Dollar	40,976	50,267
Chinese Renminbi	21,000	175,078
Indian Rupee	11,548	1,035,560
Australian Dollar	4,634	7,364
Korean Won	2,436	3,254,360
UK Sterling	1,983	1,784
Brazilian Real	1,885	12,009
Bulgarian Lev	827	1,618
South African Rand	614	11,058
Polish Zloty	571	2,603
Danish Krone	565	4,197
Singapore Dollar	547	886
New Zealand Dollar	470	798
Chilean Peso	408	356,224
Canadian Dollars	317	495
Colombian Peso	375	1,576,811
Ukrainian Hryvnia	210	7,305
Russian Ruble	153	13,978
UAE Dirham	121	546
Swiss Franc	96	104
Other minor currencies	87	n.a.
Total	343,170	

At 31 December 2020, bank deposits include deposits and restricted accounts with a total notional balance of €30.6m at an average fixed interest rate of 0.96%.

Investment of the Group's liquidity made it possible to achieve an average yield of 0.19% in 2020 (0.27% in 2019).

7. Trade receivables

	31/12/2020 (€/000)	31/12/2019 (€/000)
Trade receivables, gross	272,943	299,019
Bad debt provision	(11,236)	(14,177)
Trade receivables, net	261,707	284,842

Changes in the bad debt provision were as follows:

	2020 (€/000)	*2019* (€/000)
Opening balances	14,177	13,289
Exchange rate difference	(258)	19
Change in consolidation basis	336	960
Reclassifications	(11)	-
Provisions in the year	2,115	1,449
Decreases in the year due to surpluses	(326)	(651)
Utilizations in the year	(4,797)	(889)
Closing balance	11,236	14,177

Provisions in the year are booked under other operating costs.

At 31 December 2020, receivables due beyond 12 months total €149k, while trade payables are all due within 12 months.

8. Inventories

	31/12/2020 (€/000)	31/12/2019 (€/000)
Raw materials and components	123,592	124,877
Semi-finished products	110,550	122,178
Finished products	142,454	161,388
Total inventories	376,596	408,443

Inventories are net of the depreciation provision that changed as indicated below:

	2020 (€/000)	*2019* (€/000)
Opening balances	38,805	36,888
Exchange rate difference	(1,240)	128
Change in consolidation basis	712	3,081
Provisions for the year	3,388	2,886
Utilizations in the year	(2,977)	(3,239)
Reversal of provisions due to surpluses	(1,122)	(939)
Closing balance	37,566	38,805

9. Other current assets

	31/12/2020 (€/000)	31/12/2019 (€/000)
Accrued income and prepayments	5,236	5,117
Other receivables	3,291	2,869
Other current assets	1,833	1,091
Total other current assets	10,360	9,077

10. Property, plant and equipment

	Land and buildings (€/000)	*Plant and machinery* (€/000)	*Equipment* (€/000)	*Other assets* (€/000)	*Total* (€/000)
At 31 December 2018					
Cost	192,149	406,994	109,072	91,261	799,476
Accumulated amortization	(49,712)	(246,364)	(89,512)	(58,400)	(443,988)
Net carrying amount	142,437	160,630	19,560	32,861	355,488
Changes in 2019					
Opening net carrying amount	142,437	160,630	19,560	32,861	355,488
Exchange differences	838	205	233	481	1,757
First-time application of IFRS 16	64,878	84	92	3,109	68,163
Change in consolidation basis	11,784	7,918	6,164	978	26,844
Additions	19,702	46,834	9,151	8,695	84,382
Recognition of right-to-use assets	13,095	349	270	2,707	16,421
Disposals	(1,205)	(2,098)	(138)	(3,622)	(7,063)
Early close-out of right-to-use	(431)	-	(12)	(145)	(588)
Remeasurement of right-to-use	351	-	-	(2)	349
Reclassifications	(132)	688	65	104	725
Capitalized amortization	(80)	(7)	(3)	(2)	(92)
Write-downs	-	-	(12)	-	(12)
Amortization	(17,665)	(27,908)	(8,093)	(8,350)	(62,016)
Closing net carrying amount	233,572	186,695	27,277	36,814	484,358
At 31 December 2019					
Cost	300,501	478,477	141,263	101,244	1,021,485
Accumulated amortization	(66,929)	(291,782)	(113,986)	(64,430)	(537,127)
Net carrying amount	233,572	186,695	27,277	36,814	484,358
Changes in 2020					
Opening net carrying amount	233,572	186,695	27,277	36,814	484,358
Exchange differences	(4,840)	(3,726)	(1,176)	(2,116)	(11,858)
Change in consolidation basis	5,562	6,902	378	1,871	14,713
Additions	16,208	25,286	7,988	7,240	56,722
Recognition of right-to-use assets	8,217	677	5	2,169	11,068
Disposals	(14)	(1,188)	(247)	(3,020)	(4,469)
Early close-out of right-to-use	(4,875)	(6)	-	(110)	(4,991)
Remeasurement of right-to-use	(230)	-	-	18	(212)
Reclassifications	41	493	(1,027)	68	(425)
Capitalized amortization	(56)	(6)	(2)	(2)	(66)
Write-backs	98	-	-	-	98
Write-downs	-	(39)	-	-	(39)
Amortization	(19,369)	(30,417)	(9,314)	(9,319)	(68,419)
Closing net carrying amount	234,314	184,671	23,882	33,613	476,480

	Land and buildings (€/000)	*Plant and machinery (€/000)*	*Equipment (€/000)*	*Other assets (€/000)*	*Total (€/000)*
At 31 December 2020					
Cost	314,042	503,383	141,382	103,387	1,062,194
Accumulated amortization	(79,728)	(318,712)	(117,500)	(69,774)	(585,714)
Net carrying amount	234,314	184,671	23,882	33,613	476,480

The cost of assets under construction, included in the net carrying amounts disclosed in the previous table, is as follows:

	Land and buildings (€/000)	*Plant and machinery (€/000)*	*Equipment (€/000)*	*Other assets (€/000)*	*Total (€/000)*
At 1 January 2019	2,866	13,890	654	170	17,580
At 31 December 2019	8,646	12,017	598	166	21,427
At 31 December 2020	7,795	13,021	601	17	21,434

From 1 January 2019, the IFRS no longer distinguish between finance leases and operating leases (rentals and hire). The net carrying amount of leased assets at 31 December 2020 is analyzed below:

	Land and buildings (€/000)	*Plant and machinery (€/000)*	*Equipment (€/000)*	*Other assets (€/000)*	*Total (€/000)*
At 31 December 2019	87,308	6,803	3,439	4,675	102,225
At 31 December 2020	78,392	4,925	2,507	4,523	90,347

Depreciation of €55,704k was charged to the cost of sales (€50,205k in 2019), €5,977k to distribution costs (€5,369k in 2019) and €6,739k for general and administrative costs (€6,442k in 2019).

At 31 December 2020 the Group has contractual commitments for the purchase of property, plant and equipment totaling €15,561k (€6,637k at 31 December 2019).

11. Goodwill

Changes in goodwill were as follows in 2020:

Company:	Balance at 31/12/2019	Increases (Decreases) in the year	Changes due to foreign exchange differences	Balance at 31/12/2020
Water Jetting Sector	210,703	3,268	(3,401)	210,570
Hydraulic Sector	297,967	44,771	(4,140)	338,598
Total goodwill	*508,670*	*48,039*	*(7,541)*	*549,168*

The increases in the Hydraulic Sector during 2020 comprise €50,817k on consolidation of the Transtecno Group and €140k on consolidation of Innovativ Gummi. In addition, with respect to the amounts reported at 31 December 2019, the PPA for the Reggiana Riduttori Group has been determined more precisely by measuring the brand name. This was not possible at 31 December 2019, since certain required elements were not available. As a consequence, the carrying amount of goodwill was reduced by €6,186k. The increases in the Water Jetting Sector during 2020 reflect the acquisition of Servizi Industriali.

The impairment test was conducted using the Discounted Cash Flow method (DCF) net of taxation. Expected cash flows utilized in the calculation of DCF were determined on the basis of 5-year business plans that take account of the various reference scenarios and on the basis of growth forecasts in the various markets. In particular, the Group considers that the sales policies adopted in prior years, aimed at improving the degree of integration between its production and distribution networks and consolidating the growth of several important outlet markets for the Group, will make it possible to boost sales by around 5% for the "Water Jetting Sector" CGU and about 6% for the "Hydraulic Sector" CGU. A perpetual growth rate of 1% was applied for periods after 2025 for the "Hydraulic Sector" CGU, while a perpetual growth rate of 1.5% was applied for the "Water Jetting Sector" CGU due to the sustainability through time of the competitive advantages of the individual CGUs. The projected cash flows determined in this manner were reduced by a discount factor in order to take account of the risk that future plans could become impracticable. The weighted average cost of capital (WACC) *after tax* was measured for the various CGUs as follows:

CGU	WACC
Water Jetting Sector	4.58%
Hydraulic Sector	5.29%
Weighted average cost of capital	4.97%

The WACC utilized in 2019 was 5.06%. In addition, a sensitivity analysis was carried out in compliance with the requirements of the joint document issued by Banca d'Italia, Consob, and ISVAP on 3 March 2010. Reducing the expected cash flows of each CGU by 10% would not have resulted in the need to write down goodwill, and nor would increasing the cost of capital utilized by 50 basis points to actualize the expected flows. Moreover, as an additional positive element supporting the recoverability of goodwill, Interpump Group's stock market capitalization was far higher than the Group's net assets, inclusive of goodwill, throughout 2020.

12. Other intangible assets

	Product development costs (€/000)	*Patents trademarks and industrial rights* (€/000)	*Other intangible and intangible fixed assets* (€/000)	*Total* (€/000)
At 31 December 2018				
Cost	35,179	63,979	21,226	120,384
Accumulated amortization	(28,039)	(39,499)	(18,115)	(85,653)
Net carrying amount	7,140	24,480	3,111	34,731

	Product development costs (€/000)	*Patents trademarks and industrial rights (€/000)*	*Other intangible and intangible fixed assets (€/000)*	*Total (€/000)*
Changes in 2019				
Opening net carrying amount	7,140	24,480	3,111	34,731
Exchange differences	7	44	25	76
Change in consolidation basis	-	2,152	453	2,605
Increases	1,774	372	1,043	3,189
Decreases	-	(11)	(3)	(14)
Reclassifications	(734)	(3)	(57)	(794)
Write-downs	(2)	(3)	(13)	(18)
Capitalized amortization	-	-	(10)	(10)
Amortization	(1,219)	(4,479)	(1,540)	(7,238)
Closing net carrying amount	6,966	22,552	3,009	32,527
At 31 December 2019				
Cost	36,273	66,620	22,295	124,888
Accumulated amortization	(29,307)	(43,768)	(19,286)	(92,361)
Net carrying amount	6,966	22,552	3,009	32,527
Changes in 2020				
Opening net carrying amount	6,966	22,552	3,009	32,527
Exchange differences	(8)	(261)	(160)	(429)
Change in consolidation basis	330	15,206	108	15,644
Increases	2,528	330	1,576	4,434
Decreases	-	(5)	(5)	(10)
Reclassifications	-	-	-	-
Write-downs	(125)	-	(4)	(129)
Capitalized amortization	-	-	-	-
Amortization	(1,334)	(5,563)	(1,612)	(8,519)
Closing net carrying amount	8,347	32,254	2,910	43,511
At 31 December 2020				
Cost	38,758	80,498	23,268	142,524
Accumulated amortization	(30,411)	(48,244)	(20,358)	(99,013)
Net carrying amount	8,347	32,254	2,910	43,511

The cost of assets in progress, included in the net carrying amounts reported above, is as follows:

	Product development costs (€/000)	*Patents trademarks and industrial rights* (€/000)	*Other intangible and intangible fixed assets* (€/000)	*Total* (€/000)
At 1 January 2019	3,354	20	920	4,294
At 31 December 2019	3,940	17	51	4,008
At 31 December 2020	5,736	10	111	5,857

Amortization was charged in full to general and administrative costs.

Product development costs consist mainly of capitalized internal costs.

13. Other financial assets

This item comprises:

	31/12/2020 (€/000)	31/12/2019 (€/000)
Investments in non-consolidated subsidiaries	1,268	1,289
Assets servicing employee benefits	743	704
Loans to non-consolidated subsidiaries	-	1,931
Other loan receivables	-	5
Other financial assets	258	297
Total	2,269	4,226

The following changes were recorded:

	2020 (€/000)	*2019* (€/000)
Opening balance	4,226	2,319
Exchange differences	(132)	23
Change in consolidation basis	(2,780)	33
Reclassifications	148	1,250
Increases for the year	950	692
Change in fair value	13	8
Decreases for the year	(156)	(99)
Closing balance	2,269	4,226

Breakdown of the value of investments in non-consolidated subsidiaries:

Company	31/12/2020 (€/000)	% held	31/12/2019 (€/000)	% held
Suministros Franquesa S.A.	700	100%	-	-
Interpump Hydraulics Rus	298	100%	261	100%
General Pump China	270	100%	272	100%
Innovativ Gummi Tech S.r.l.	-	-	751	60%
FGA S.r.l.	-	-	5	100%
Inoxpa Poland Sp ZOO (liquidated in 2020)	-	-	-	100%
Interpump Hydraulics Perù S.a.c.	-	90%	-	90%
Total non-consolidated subsidiaries	*1,268*		*1,289*	

General Pump China, Interpump Hydraulics RUS, Interpump Hydraulics Perù S.a.c. and Suministros Franquesa S.A. are all subsidiaries, but they have not been consolidated in view of their limited size.

Innovativ Gummi Tech S.r.l. and FGA S.r.l. have been consolidated on a line-by-line basis in 2020.

On 14 July, the Interpump Group acquired Suministros Franquesa S.A., based in Lleida, Spain, via GS-Hydro Spain S.A. Suministros Franquesa is an important, dynamic and young business that assembles and distributes hoses, fittings and other hydraulic components for agricultural, mobile and industrial applications, making both direct and on-line sales. Sales in 2020 amounted to about €1.4m, with an EBITDA margin of 7.7% and a neutral net financial position. The price paid for the 100% interest was €0.7m. This highly synergistic acquisition strengthens the presence of Interpump in the strategic Iberian market, adding a location in Catalonia for GS-Hydro and further strengthening the market penetration of Group brands.

The value of the investment in Interpump Hydraulics Perù, a distribution company based in Lima incorporated at the end of 2015 with the aim of strengthening the Group's direct presence in South America, has been reduced to zero and a provision for risks of €238k has been created to cover the losses incurred during the start-up stage and the adverse performance of the South American economy during 2020.

In relation to financial instruments recorded at fair value in the statement of financial position (assets servicing employee benefits and other financial assets), international accounting standards require that said values be classified on the basis of a hierarchy of levels that reflects the significance of the inputs utilized to establish the fair value and subdivided on the basis of the recurrence in their measurement. International accounting standards identify the following levels:

- Level 1 quotations recorded on an active market for assets and liabilities subject to measurement;
- Level 2 inputs other than the price quotations mentioned in the above point, which are directly (prices) or indirectly (price derivatives) observable in the market;
- Level 3 inputs that are not based on empirical market data.

The following table shows the financial instruments measured at fair value at 31 December 2020, broken down by level:

(€/000)	Level 1	Level 2	Level 3	Total
Other financial assets	859	-	142	1,001
Total assets	**859**	**-**	**142**	**1,001**

No transfers between levels were carried out in 2020.

All fair value measurements shown in the above table are to be considered as recurrent; the Group did not perform any non-recurrent fair value measurements in 2020.

14. Deferred tax assets and liabilities

The changes in the year of deferred tax assets and liabilities are listed below:

	Deferred tax assets		Deferred tax liabilities	
	2020	2019	2020	2019
	(€/000)	(€/000)	(€/000)	(€/000)
At 31 December of the previous year	34,679	29,776	42,154	41,832
Exchange differences	(618)	108	(1,867)	290
Change in consolidation basis	237	4,600	4,254	1,943
Recognized in the income statement	24,952	(273)	(1,400)	(1,911)
Reclassifications	85	29	88	-
Recognized directly in equity	275	439	-	-
At 31 December of the current year	59,610	34,679	43,229	42,154

The deferred taxes recognized directly in equity arise from remeasurement of defined benefit plans.

Deferred tax assets and liabilities refer to the following items in the statement of financial position:

	Deferred tax assets		Deferred tax liabilities	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	(€/000)	(€/000)	(€/000)	(€/000)
Property, plant and equipment	21,895	6,828	26,282	27,756
Intangible assets	10,682	993	16,137	13,099
Equity investments	357	416	16	307
Inventories	15,910	16,853	327	487
Receivables	1,083	1,560	114	6
Intercompany dividends receivable	-	-		60
Liabilities for employee benefits	2,084	1,906	-	118
Provisions for risks and charges	2,393	1,666	-	-
Losses to be carried forward	2,455	2,336	-	-
Other	2,751	2,121	353	321
Total	59,610	34,679	43,229	42,154

No deferred tax liabilities were recorded for reserves qualifying for tax relief as they are not expected to be distributed (see note 21).

15. Interest-bearing financial payables and bank payables

The main loans are all subject to the following financial covenants, calculated on the consolidated values:

- Net indebtedness / Shareholders' equity;
- Net indebtedness / EBITDA;
- EBITDA / Financial charges.

At 31 December 2020 all financial covenants are amply complied with.

	31/12/2020 (€/000)	31/12/2019 (€/000)
Current		
Bank payables	10,592	22,076
Bank loans	164,289	177,515
Leases	17,227	17,491
Shareholder loans	-	-
Other financial payables	87	104
Total current interest bearing financial payables	181,603	195,110
Non-current		
Bank loans	354,310	314,159
Leases	63,230	72,500
Shareholder loans	2,270	-
Other financial payables	665	753
Total non-current interest bearing financial payables	420,475	387,412

At 31 December 2020, fixed-rate loans amount to €14,831k, while the remainder are at floating rates.

Bank payables and loans include €29,888k in currencies other than the euro, mainly comprising US dollars, Chinese renminbi, Indian rupees, Canadian dollars, UK pounds and Australian dollars relating to foreign subsidiaries. Amounts in currencies other than the euro are as follows:

(€/000)	Bank payables	Current interest-bearing financial payables	Non-current interest-bearing financial payables	Total
US Dollar	861	3,332	8,505	12,698
Chinese Renminbi	1,381	744	1,302	3,427
Indian Rupee	14	668	2,717	3,399
Canadian Dollar	604	563	1,550	2,717
UK Pound	-	673	1,947	2,620
Australian Dollar	6	553	1,554	2,113
Korean Won	-	164	330	494
Danish Krone	-	169	258	427
Brazilian Real	3	139	279	421
Polish Zloty	-	213	105	318
Russian Ruble	0	43	122	165
Chilean Peso	-	165	55	220
South African Rand	-	87	156	243
Swiss Franc	-	56	151	207
New Zealand Dollar	-	55	131	186
Swedish Krona	-	86	-	86
Mexican Peso	2	20	53	75
Ukrainian Hryvnia	-	6	27	33
UAE Dirham	-	19	-	19
Colombian Peso	-	13	-	13
Bulgarian Lev	-	6	-	6
Moldovan Leu	-	1	-	1
Total	2,871	7,775	19,242	29,888

The following rates were charged on the interest-bearing financial payables:

	31/12/2020 %	31/12/2019 %
Bank loans	Euribor+0.87 (average spread)	Euribor+0.88 (average spread)
Finance leases	2.8	3.1

Breakdown of lease payables at 31 December:

	31 December 2020				31 December 2019			
(€/000)	Within the year	Between one and five years	Beyond five years	Total	Within the year	Between one and five years	Beyond five years	Total
Outstanding installments on leasing contracts	19,349	49,550	19,099	87,998	19,921	54,190	25,357	99,468
Interest	(2,122)	(4,275)	(1,144)	(7,541)	(2,430)	(5,379)	(1,668)	(9,477)
Present value of lease payables	17,227	45,275	17,955	80,457	17,491	48,811	23,689	89,991

At 31 December 2020 the Group is party to several leasing contracts for industrial buildings, plant and machinery, the carrying amount of which, totaling €90,347k (€102,225k at 31 December 2019), is classified under Property, plant and equipment (Note 10).

Non-current financial payables have the following due dates:

	31/12/2020 (€/000)	31/12/2019 (€/000)
Within 2 years	159,703	122,104
From 2 to 5 years	238,372	237,111
Beyond 5 years	22,400	28,197
Total	420,475	387,412

The Group has the following lines of credit that were unused at year-end:

	31/12/2020 (€/000)	31/12/2019 (€/000)
Export advances and Italian portfolio	115,256	99,979
Current account overdrafts	5,366	5,286
Medium/long-term loans	69,380	180,950
Total	190,002	286,215

16. Other current liabilities

	31/12/2020 (€/000)	31/12/2019 (€/000)
Payables related to the acquisition of investments	8,467	22,483
Other short-term payables	63,365	65,574
Government grants	147	1,142
Other	1,795	1,031
Total	73,738	90,230

Other short-term payables mainly concern amounts due to personnel, directors, statutory auditors and social security institutions.

17. Provisions for risks and charges

Changes were as follows:

(€/000)	Product warranty provision	Directors' termination indemnity provision	Agents' termination indemnity provision	Provision for returns on sales	Provision for risks on investments	Other	Total
Balance at 31/12/2019	3,619	-	874	419	253	1,947	7,112
Exchange rate difference	(96)	-	-	(4)	(33)	(41)	(174)
Increase in the year	789	7,443	105	85	-	952	9,374
Surplus released to the income statement	(281)	-	(23)	-	-	(15)	(319)
Change in the scope consolidation basis	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	148	-	148
Utilizations in the year	(566)	-	(63)	(121)	(9)	(228)	(987)
Balance at 31/12/2020	3,465	7,443	893	379	359	2,615	15,154

The balance of other provisions at 31 December 2020 refers to various disputes or estimated liabilities in group companies. In addition, on 16 March 2020, the Board of Directors established a termination indemnity - in line with that already approved at the Shareholders' Meeting - for Fulvio Montipò, founder of Interpump Group S.p.A., who has guided the Group to levels of extraordinary excellence and who plans to continue growing the Interpump Group further in the coming years. The provision represents a maximum of 3 years' remuneration and amounts to €7,443k at 31 December 2020.

The closing balance is classified as follows in the statement of financial position:

	31/12/2020 (€/000)	31/12/2019 (€/000)
Current	4,739	4,055
Non-current	10,415	3,057
Total	15,154	7,112

The Parent company and some of its subsidiaries are directly involved in lawsuits for limited amounts. The settlement of said lawsuits is not expected to generate any significant liabilities for the Group that are not covered by the risk provisions already made.

18. Liabilities for employee benefits

Liabilities for defined benefit plans

The following movements were recorded in liabilities:

	2020 (€/000)	2019 (€/000)
Liabilities at 1 January	21,402	19,377
Amount charged to the income statement in the year	797	479
Reclassifications to other current liabilities	(165)	(58)
Recognition in equity of actuarial results	1,141	1,840
Change in consolidation basis	2,118	1,123
Payments	(1,484)	(1,359)
Liabilities at 31 December	23,809	21,402

The following items were recognized in the income statement:

	2020 (€/000)	2019 (€/000)
Current service cost	855	513
Financial expenses (Income)	(58)	(34)
Past service cost	-	-
Total recognized in the income statement	797	479

Items recognized in the income statement were booked as follows:

	2020 (€/000)	2019 (€/000)
Cost of sales	431	281
Distribution costs	237	118
General and administrative expenses	187	114
Financial expenses (Income)	(58)	(34)
Total	797	479

Liabilities for defined benefit plans (Severance indemnity - TFR) were established with the following actuarial assumptions:

	Unit of measurement	2020	2019
Discount rate	%	0.25	0.75
Expected increase in rate of remuneration*	%	2.67	2.77
Percentage of employees expected to resign (turnover)**	%	4.43	4.21
Annual cost-of-living increase	%	1.30	1.50
Average period of employment	Years	13.65	13.30

* = restricted to companies with less than 50 employees.
** = average annual resignation percentage, all causes, in the first ten years following the assessment.

19. Other non-current liabilities

	2020 (€/000)	2019 (€/000)
Payables related to the acquisition of investments	54,219	31,803
Long-term employee benefits	3,628	3,217
Other	476	590
Total	58,323	35,610

The changes in other non-current liabilities were as follows:

	2020 (€/000)	2019 (€/000)
Liabilities at 1 January	35,610	39,451
Exchange rate difference	(554)	(168)
Change in consolidation basis	101	127
Amount charged to the income statement in the year	907	626
Reclassifications to other current liabilities	(7,288)	(5,742)
Change in fair value	(4,892)	(1,752)
Increase in medium/long-term debts	36,632	4,963
Payments	(2,193)	(1,895)
Liabilities at 31 December	58,323	35,610

The other non-current liabilities recognized in the income statement during the year mainly relate to interest charges on put options and adjustments to the long-term element of payables related to the acquisition of investments.

20. Share capital

Share capital comprises 108,879,294 ordinary shares with a unit par value of EUR 0.52 totaling €56,617,232.88. However, the share capital reported in the financial statements amounts to €55,462k, since the nominal value of purchased treasury shares, net of those sold, has been deducted from share capital in compliance with the reference accounting standards. At 31 December 2020 Interpump S.p.A. holds 2,222,356 treasury shares in the portfolio corresponding to 2.04% of the share capital, acquired at an average unit cost of EUR 28.1408.

Changes in treasury shares over the past two years have been as follows:

	Number
Balance at 31/12/2018	*3,413,489*
2019 purchases	2,940,000
Sale of shares to finance subsidiaries' purchases	(3,800,000)
Sale of shares for the exercise of stock options	(328,750)
Balance at 31/12/2019	*2,224,739*
2020 purchases	1,610,000
Sale of shares to finance subsidiaries' purchases	(488,533)
Sale of shares for the exercise of stock options	(1,123,850)
Balance at 31/12/2020	*2,222,356*

Taking treasury shares into consideration, the following changes were recorded in the number of shares in circulation:

	2020 Number of shares	2019 Number of shares
Ordinary shares in existence at 1 January	108,879,294	108,879,294
Treasury shares held	(2,224,739)	(3,413,489)
Shares in circulation at 1 January	106,654,555	105,465,805
Treasury shares purchased	(1,610,000)	(2,940,000)
Treasury shares sold	1,612,383	4,128,750
Total shares in circulation at 31 December	106,656,938	106,654,555

The aims identified by the Group in the management of capital are the creation of value for all shareholders and supporting development of the group, both through internal means and by means of targeted acquisitions. The Group therefore intends to maintain an adequate level of capitalization, which simultaneously makes it possible to generate a satisfactory economic return for shareholders and to guarantee economically effective access to external sources of borrowing. The Group constantly monitors the evolution of the debt to equity ratio and the generation of cash through its industrial operations. In order to attain the aforementioned goals, the Group constantly monitors the cash flows generated by the business sectors in which it operates, both through improvement or maintenance of profitability, and careful management of working capital and of other expenditure. Capital is construed as both the value contributed by Interpump Group shareholders (share capital and share premium reserve, totaling €134,155k at 31 December 2020 and €152,193k at 31 December 2019), and the value generated by Group operations (other reserves and legal reserve, including profit for the year, totaling €1,040,852k at 31 December 2020 and €896,769k at 31 December 2019, excluding the translation reserve and the reserve for the restatement of defined benefit plans).

Treasury shares purchased

The amount of the treasury shares held by Interpump Group S.p.A. is recorded in an equity reserve. During 2020 Interpump Group purchased 1,610,000 treasury shares for €48,487k (2,940,000 treasury shares for €78,993k in 2019).

Treasury shares sold

In the context of the stock option plans, a total of 1,123,850 options were exercised during the year, resulting in the receipt of €14,480k (a total of 328,750 options were exercised in 2019, with the collection of €3,823k). Moreover, 488,533 treasury shares were assigned in 2020 as payment for equity investments (3,800,000 shares in 2019).

Stock options

The fair value of the 2016/2018 and 2019/2021 stock option plans was recorded in the 2020 and 2019 financial statements in compliance with IFRS 2. Costs of €1,919k (€2,585k in 2019) relating to the stock option plans were therefore recognized in the 2020 income statement, with a matching entry to the share premium reserve. Said costs represent the portion for the year of the value of the options assigned to employees and directors, established at the allocation date, corresponding to the value of the services rendered by the latter in addition to normal remuneration.

Items recognized in the income statement were booked as follows:

	2020 (€/000)	2019 (€/000)
Cost of sales	-	-
Distribution costs	29	43
General and administrative expenses	1,890	2,542
Total	1,919	2,585

Changes in the share premium reserve were as follows:

	2020 €/000	2019 €/000
Share premium reserve at 1 January	96,733	71,229
Increase due to income statement recognition of the fair value of stock options granted	1,919	2,585
Increase for the disposal of treasury shares further to payment for acquisitions of subsidiaries	13,796	96,731
Increase for the disposal of treasury shares further to the exercise of stock options	13,895	3,652
Utilization to cover purchase of treasury shares	(47,650)	(77,464)
Share premium reserve at 31 December	78,693	96,733

The Shareholders' Meeting held on 28 April 2016 approved the adoption of an incentive plan known as the "*2016/2018 Interpump Incentive Plan*". The plan, which is based on the free assignment of options that grant the beneficiaries the right, on the achievement of specified objectives, to (i) purchase or subscribe the Company's shares up to the maximum number of 2,500,000 or, (ii) at the discretion of the Board of Directors, receive the payment of a differential equivalent to any increase in the market value of the Company's ordinary shares. Beneficiaries of the plan can be employees or directors of the Company and/or its subsidiaries, identified among persons having significant roles or functions. The exercise price has been established at EUR 12.8845 per share, equivalent to the market value at the time of the decision of the Board of Directors to submit the Plan to the Shareholders' Meeting. The options can be exercised between 30 June 2019 and 31 December 2022. The next meeting of the Board of Directors, held on 12 May 2016, set a figure of 2,500,000 for the number of options to be assigned, divided by the total number of options in each tranche (625,000 for the first tranche, 875,000 for the second tranche and 1,000,000 for the third tranche) and established the terms for the exercise of the options, which are connected to the achievement of specific accounting parameters and the performance of Interpump Group stock. The same Board meeting assigned 1,620,000 options to the Chairman, exercisable subject to the conditions described above, and granted mandates to the Chairman and the Deputy Chairman of Interpump Group, acting separately, to identify the beneficiaries of a further 880,000 options. On 6 and 29 July 2016, 13 December 2016 and 9 November 2017 a total of 531,800 options were assigned to other beneficiaries identified within the Interpump Group.

The changes in options in 2020 and 2019 were as follows:

	2020 Number of options	2019 Number of options
Options assigned at 1 January	1,838,050	2,121,800
Options granted in the year	-	-
Options exercised in the year	(1,123,850)	(268,750)
Options canceled in the year	-	(15,000)
Total options assigned at 31 December	714,200	1,838,050

The Shareholders' Meeting held on 30 April 2019 approved a new stock option plan entitled “2019/2021 Interpump Incentive Plan", which calls for the allocation of no more than 2,500,000 options having an exercise price of EUR 28.4952 and, for options assigned after 30 April 2020, at the official price established by Borsa Italiana on the day before the date of assignment. In its meeting of 27 June 2019, the Board of Directors assigned 1,800,000 options to Chairman and Chief Executive Officer Fulvio Montipò; subsequently, 418,500 options were assigned to other beneficiaries, including Deputy Chairman Paolo Marinsek, who was assigned 65,000 options. Overall, a total of 2,218,500 options have therefore been assigned. The options can be exercised from 30 June 2022 to 31 December 2025. The options canceled in 2020 totaled 60,600.

The changes in options during the year were as follows:

	2020 Number of options	2019 Number of options
Number of rights assigned at 1 January	2,188,500	2,218,500
Number of rights assigned	20,000	-
Number of shares purchased	-	-
Number of rights canceled	(60,600)	(30,000)
Total number of options not yet exercised at 31 December	2,147,900	2,188,500

The fair value of the stock options and the actuarial assumptions utilized in the binomial lattice model are as follows:

2016/2018 Plan

First assignment	Unit of measurement	
Number of shares granted	no.	1,620,000
Grant date		12 May 2016
Exercise price		12.8845
Vesting date		1 July 2019
Fair value per option at the grant date	EUR	2.4585
Expected volatility (expressed as the weighted average of the volatility values utilized in construction of the binomial lattice model)	%	30
Expected average duration of the plan life	years	6.583
Expected dividends (compared with share value)	%	2.50
Risk-free interest rate (calculated using a linear interpolation of Euro Swap rates at 12 May 2016)	%	From 0.11 to 0.22

<u>2016/2018 Plan</u>

Second assignment	Unit of measurement	
Number of shares granted	no.	483,800
Grant date		6 July 2016
Exercise price		12.8845
Vesting date		1 July 2019
Fair value per option at the grant date	EUR	3.0520
Expected volatility (expressed as the weighted average of the volatility values utilized in construction of the binomial lattice model)	%	30
Expected average duration of the plan life	years	6.417
Expected dividends (compared with share value)	%	2.50
Risk-free interest rate (calculated using a linear interpolation of Euro Swap rates at 6 July 2016)	%	From -0.094 to -0.004

Third assignment	Unit of measurement	
Number of shares granted	no.	30,000
Grant date		29 July 2016
Exercise price		12.8845
Vesting date		1 July 2019
Fair value per option at the grant date	EUR	3.7130
Expected volatility (expressed as the weighted average of the volatility values utilized in construction of the binomial lattice model)	%	30
Expected average duration of the plan life	years	6.417
Expected dividends (compared with share value)	%	2.50
Risk-free interest rate (calculated using a linear interpolation of Euro Swap rates at 29 July 2016)	%	From -0.082 to -0.002

Fourth assignment	Unit of measurement	
Number of shares granted	no.	6,000
Grant date		13 December 2016
Exercise price		12.8845
Vesting date		1 July 2019
Fair value per option at the grant date	EUR	4.33130
Expected volatility (expressed as the weighted average of the volatility values utilized in construction of the binomial lattice model)	%	30
Expected average duration of the plan life	years	6
Expected dividends (compared with share value)	%	2.50
Risk-free interest rate (calculated using a linear interpolation of Euro Swap rates at 13 December 2016)	%	0.264

2016/2018 Plan

Fifth assignment	Unit of measurement	
Number of shares granted	no.	12,000
Grant date		9 November 2017
Exercise price		12.8845
Vesting date		1 July 2019
Fair value per option at the grant date	EUR	13.4162
Expected volatility (expressed as the weighted average of the volatility values utilized in construction of the binomial lattice model)	%	30
Expected average duration of the plan life	years	3 years and 5 months
Expected dividends (compared with share value)	%	2.50
Risk-free interest rate (calculated using a linear interpolation of Euro Swap rates at 13 December 2016)	%	-0.0285

2019/2021 Plan

First assignment	Unit of measurement	
Number of shares granted	no.	2,218,500
Grant date		28 June 2019
Exercise price		28.4952
Vesting date		1 July 2022
Fair value per option at the grant date	EUR	4.562
Expected volatility (expressed as the weighted average of the volatility values utilized in construction of the binomial lattice model)	%	30
Expected average duration of the plan life	years	4.76
Expected dividends (compared with share value)	%	1.00
Risk-free interest rate (calculated using a linear interpolation of Euro Swap rates at 28 June 2019)	%	-0.0182

Second assignment	Unit of measurement	
Number of shares granted	no.	20,000
Grant date		3 June 2020
Exercise price		27.9868
Vesting date		1 July 2022
Fair value per option at the grant date	EUR	5.226
Expected volatility (expressed as the weighted average of the volatility values utilized in construction of the binomial lattice model)	%	30
Expected average duration of the plan life	years	3.83
Expected dividends (compared with share value)	%	1.00
Risk-free interest rate (calculated using a linear interpolation of Euro Swap rates at 28 June 2019)	%	0.1557

The expected volatility of the underlying variable (Interpump Group share) is a measure of the prospect of price fluctuations in a specific period. The indicator that measures volatility in the model utilized to evaluate the options is the mean square annualized deviation of compound returns of the Interpump Group share through time.

21. Reserves

Translation reserve
This provision consists of exchange gains generated by the translation of the financial statements of foreign subsidiaries based outside the EU and from variations in goodwill ascribable to these companies, again as a result of exchange rate fluctuations.

Reserve from remeasurement of defined benefit plans
Includes the actuarial component of defined benefit plans (TFR).

Classification of net equity depending on possibility of utilization

(amounts in €/000)	Amount	Possibility of utilization	Available portion	Tax payable in the event of distribution	Summary of utilizations over the past three years	
					to cover losses	for other reasons
Share capital	56,617	B	-	-	-	-
Nominal value of treasury shares in portfolio	(1,155)					
Total share capital	55,462					
Capital reserves						
From Parent Company's financial statements:						
Legal reserve	6,860	B	-	-	-	-
Share premium reserve	21,469	A,B,C	21,469	-	-	17,844
Total from Parent Company's financial statements	28,329		21,469			
Consolidation entries	36					
Total from consolidated financial statements	28,365					
Profit reserves						
From Parent Company's financial statements:						
Legal reserve	4,463	B	-	-	-	-
Share premium reserve	57,006	A,B,C	54,439	1,232	-	-
Extraordinary reserve	268,091	A,B,C	232,473	7,164	-	-
Reserve for share capital reduction	1,155	-	-	-	-	-
First Time Adoption Reserve	(70)		-	-	-	-
Merger surplus	863	A,B,C	698	-	-	-
Reserve for restatement of defined benefit plans	(2,458)	-	-	-	-	-
Profit for the year	101,802	A,B,C	101,802	-	-	-
Total from Parent Company's financial statements	430,852		389,412			
Consolidation entries	624,896					
Total from consolidated financial statements	1,055,748					
Reserve for treasury shares held	62,539	-	-	-	-	181,644
Treasury shares	(62,539)					
Non-distributable portion*			(3,171)			
Remaining distributable portion			407,710			

A: for capital increase B: for coverage of losses C: for distribution to shareholders

*= represents the non-distributable portion destined to cover deferred costs that have not yet been amortized.

Utilizations refer to dividends, purchases of treasury shares and reductions of reserves for other causes and do not include transfers between reserves. In particular, with reference to the changes that occurred in the past three years note that the utilizations of the reserve for treasury shares held refer to purchases of treasury shares, while the utilizations from the share premium reserve refer to the sale of treasury shares at a price below their carrying value.

On the basis of Italian tax legislation the reserves and profits are freely distributable and do not attract tax even in the case of distribution, on the condition that the reserves and residual profits exceed the negative components of income ascribed exclusively in the tax return; otherwise, distributed reserves and profits would be subject to tax in the measure in which the residual reserves and profits were lower than the negative components of income that have been ascribed exclusively to the tax return. At 31 December 2020, this condition has been complied with in full, hence no taxes were payable in the event of distribution of the Parent company's entire profits for the year and the entirety of available reserves, beyond the taxes already indicated in the prior statement.

Breakdown of components recorded directly in equity

	2020			2019		
(amounts in €/000)	Pre-tax amount	Taxation	Amount net of taxes	Pre-tax amount	Taxation	Amount net of taxes
Profit (Loss) arising from translation of the financial statements of foreign companies	(35,362)	-	(35,362)	4,687	-	4,687
Profit (Loss) of companies carried at equity	(75)	-	(75)	5	-	5
Actuarial Profits (Losses) associated with restatement of defined benefit plans	(1,146)	275	(871)	(1,840)	442	(1,398)
Total	**36,583**	**275**	**36,308**	**2,852**	**442**	**3,294**

22. Minority shareholders' equity

This is the portion of consolidated shareholders' equity pertaining to minority shareholders of the consolidated subsidiaries. Minority interest subsidiaries are not individually or cumulatively significant to the Interpump Group.

23. Other net revenues

	2020 (€/000)	2019 (€/000)
Reimbursement of expenses	8,736	9,002
Income from the sale of waste and scrap	2,831	3,992
Release of surplus provisions and allocations	645	874
Capital gains from the sale of property, plant and equipment	544	832
Income from rent/royalties	474	338
Refunds from insurance	238	225
Writeback of property, plant and equipment	98	-
Profit from early close-out of right-of-use assets	90	8
Other	4,927	4,844
Total	18,583	20,115

The “Other" line item includes operating grants received by the Group. Pursuant to Decree 34/2019 (the Growth Decree), the grants, subsidies, contributions and aid (in cash and/or in kind), not of a general nature and not representing consideration, remuneration or compensation for losses, received by the Group from the Public Administrations during 2020 are listed below:

- grant of €230,166 from Gestore Servizi Energetici S.p.A. (GSE) for the generation of PV electricity;
- grant of €77,546 from Cassa per i servizi energetici e ambientali (CSEA) in the context of relief for businesses that are heavy consumers of electricity;
- grant of €25,680 from the Tax Authorities pursuant to art. 25 of Decree 34/2020 (so-called “Relaunch Decree”) to mitigate the adverse effects of Covid-19.

24. Costs by nature

	2020 (€/000)	2019 (€/000)
Raw materials and components	499,748	508,871
Personnel and temporary staff	323,899	344,529
Services	123,211	136,068
Amortization / depreciation (Notes 10 and 12)	76,939	69,254
Directors' and statutory auditors' remuneration	8,754	9,156
Hire purchase and leasing charges	2,912	3,794
Provisions / impairment of tangible and intangible fixed assets (Notes 10, 12 and 18)	9,457	1,422
Other operating costs	60,367	68,425
Total cost of sales, distribution costs, general and administrative expenses, other operating costs and impairment losses on intangible and tangible fixed assets	1,105,287	1,141,519

In accordance with the requirements of article 149-(12) of the Issuers' Regulation as amended by Consob Resolution no. 15915 of 3 May 2007 published in the Official Journal of the Italian Republic no. 111 of 15 May 2007 (S.O. no. 115), the remuneration amounts for 2019 are listed below for services rendered to the Group by the independent auditors and the entities belonging to the network of the independent auditors:

- assignments for auditing of the parent company, €127k;
- assignments for auditing of subsidiaries, €1,059k;
- limited assurance of the Parent company's Non-Financial Statement, €48k.

The above amounts are included under Other costs within general and administrative expenses.

25. Directors' and statutory auditors' remuneration

The emoluments of the Directors and Statutory Auditors of Interpump Group S.p.A., for their functions performed at the Parent Company and at other consolidated companies, are summarized below:

	2020 (€/000)	2019 (€/000)
Parent Company	5,274	5,501
Statutory auditors	130	168
Total remuneration	5,404	5,669

The amounts include the emoluments authorized at the Shareholders' Meeting and those established by the Board of Directors for directors with special duties, including bonuses, fringe benefits, payments to cover the cost of personal security and the components of remuneration deriving from salaries and stock option plans, as represented by the period portion of the fair value of the options calculated at the assignment date. In addition, on 16 March 2020, the Board of Directors established a termination indemnity - in line with that already approved at the Shareholders' Meeting - for Fulvio Montipò, founder of Interpump Group S.p.A. The provision represents a maximum of 3 years' remuneration and amounts to €7,443k at 31 December 2020.

26. Financial income and expenses

	2020 €/000	2019 €/000
Financial income		
Interest income from liquid funds	499	321
Interest income from other assets	371	312
Financial income to adjust estimated debt for commitment to purchase residual interests in subsidiaries	5,246	5,240
Foreign exchange gains	9,594	8,840
Earnings from valuation of derivative financial instruments	-	80
TFR financial income	57	36
Other financial income	411	233
Total financial income	16,178	15,062

	2020 €/000	2019 €/000
Financial charges		
Interest expense on loans	2,479	2,317
Interest expense in respect of leasing	2,441	2,455
Interest expense on put options	626	599
Financial charges to adjust estimated debt for commitment to purchase residual interests in subsidiaries	319	3,488
Foreign exchange losses	15,232	8,541
Other financial charges	275	638
Total financial charges	21,372	18,038
Total financial charges (income), net	5,194	2,976

The interest expense on put options relates to the release of the discounting effect on payables for the purchase of equity investments. Adjustments of the estimated liability for the purchase of residual interests in subsidiaries may result in financial charges due to an increase in the liability, if the actual performance of the companies concerned is better than initially expected, or if the related put options are exercised later than initially expected. Conversely, financial income may be recognized following a decrease in the liability, if the actual performance of the companies concerned is worse than initially expected, or if the related put options are exercised earlier than initially expected.

27. Income taxes

The effective tax rate for the year was 14.5% (26.1% in 2019).

Taxes recognized in the income statement can be broken down as follows:

	2020 (€/000)	2019 (€/000)
Current taxes	(53,639)	(65,384)
Current taxes for prior financial years	557	119
Substitute tax	(2,564)	-
Deferred taxes	26,351	1,637
Total taxes	(29,295)	(63,628)

Deferred tax recognized in the income statement can be broken down as follows:

	2020 (€/000)	2019 (€/000)
Deferred tax assets generated in the year	29,043	3,950
Deferred tax liabilities generated in the year	(2,202)	(2,436)
Deferred tax assets transferred to the income statement	(4,299)	(4,601)
Deferred tax liabilities recognized in the income statement	3,549	4,347
Deferred tax assets resulting from change in rate	-	(60)
Deferred tax liabilities resulting from change in rate	53	-
Derecognized deferred tax assets	-	(29)
Deferred taxes not calculated in previous years	207	466
Total deferred taxes	26,351	1,637

The reconciliation of taxes calculated on the basis of the nominal rates in force in the different countries and the effective tax burden is as follows:

	2020 (€/000)	2019 (€/000)
IRES/National tax		
Profit before taxes from the income statement	202,566	244,230
Theoretical taxes at the Italian rate (24.0%)	48,616	58,615
Effect of different rates applicable to foreign subsidiaries	(3,809)	(4,283)
Tax on dividends from consolidated companies	3,051	2,082
Higher (Lower) taxes resulting from the measurement of investments at equity	(23)	2
Higher tax for non-deductible stock option costs	35	62
Lower taxes due to IRAP deduction relating to expenses for employees and similar for the year	(271)	(255)
Lower taxes due to IRAP deduction on interest expenses in the year	(51)	(68)
Lower taxes due to super and hyper depreciation	(3,543)	(2,470)
Lower taxes resulting from Economic Growth Assistance (ACE)	(753)	-
Lower taxes due to tax redemption of goodwill	(7,164)	-
Lower taxes due to tax benefit of revaluing plant and machinery	(10,779)	-
Higher taxes due to not recognizing deferred tax assets on current year tax losses	223	509
Lower taxes due to not recognizing deferred tax assets on prior year tax losses	(214)	(446)
Taxes relating to previous years (current plus deferred)	(577)	(1,083)
Higher (Lower) taxes on financial expenses relative to discounting of debts for the purchase of investments and related adjustments	(1,080)	(158)
Effect of scheduled change in the tax rate of Indian companies from 2020	136	60
Higher (Lower) taxes for non-taxable revenues and non-deductible costs	(306)	(1,076)
Total IRES/National tax	*23,491*	*51,491*
IRAP/Local income taxes		
Profit before taxes from the income statement	202,566	244,230
Theoretical taxes at the Italian rate (3.9%)	7,900	9,525
Effect of different rates applicable to foreign subsidiaries and for holding companies	1,460	1,650
Higher taxes for non-deductible payroll costs	239	449
Higher taxes for non-deductible directors' emoluments	634	343
Higher (lower) taxes due to non-deductible financial expenses and non-taxable financial income	(130)	196
Higher taxes due to measuring investments at equity	(3)	-
Lower taxes due to tax redemption of goodwill	(1,585)	-
Lower taxes due to tax benefit of revaluing plant and machinery	(2,121)	-
Lower taxes due to IRAP exemption (balance 2019 and 1st advance 2020)	(742)	-
Taxes relating to previous years (current plus deferred)	(129)	154
Higher (Lower) taxes for non-taxable revenues and non-deductible costs	281	(180)
Total IRAP/Local income taxes	*5,804*	*12,137*
Total income taxes recognized in the income statement	*29,295*	*63,628*

Interpump Group S.p.A. Joined a domestic tax group in 2018 together with Interpump Piping S.r.l.

28. Earnings per share

Basic earnings per share

Basic earnings per share are calculated as the consolidated net profit attributable to the owners of the Parent Company divided by the weighted average number of ordinary shares, as follows:

	2020	2019
Consolidated net profit attributable to the owners of the Parent company (€/000)	170,980	179,170
Average number of shares in circulation	107,104,047	105,452,384
Basic earnings per share (€)	1.596	1.699

Diluted earnings per share

Diluted earnings per share are calculated on the basis of diluted consolidated profit for the period attributable to the Parent company's shareholders, divided by the weighted average number of ordinary shares in circulation adjusted by the number of potentially dilutive ordinary shares. The calculation is as follows:

	2020	2019
Consolidated net profit attributable to the owners of the Parent company (€/000)	170,980	179,170
Average number of shares in circulation	107,104,047	105,452,384
Number of potential shares for stock option plans (*)	424,299	983,990
Average number of shares (diluted)	107,528,346	106,436,374
Diluted earnings per share (€)	1.590	1.683

(*) calculated as the number of shares assigned for in-the-money stock option plans multiplied by the ratio between the difference of the average value of the share in the year and the exercise price at the numerator, and the average value of the share in the year at the denominator.

29. Information on financial assets and liabilities

Financial assets and liabilities, broken down by the categories identified by IFRS 7, are summarized in the following table:

(€/000)	At fair value through profit and loss – Initially	At fair value through profit and loss – Subsequently	*Financial assets at 31/12/2020* Measured at amortized cost	At fair value through the Comprehensive income statement	*Financial liabilities at 31/12/2020* Measured at amortized cost	Total
Trade receivables	-	-	261,707	-	-	261,707
Other current assets	-	-	5,124	-	-	5,124
Other financial assets	2,269	-	-	-	-	2,269
Trade payables	-	-	-	-	(154,098)	(154,098)
Bank payables	-	-	-	-	(10,317)	(10,317)
Current interest-bearing financial payables	-	-	-	-	(181,603)	(181,603)
Other current liabilities	-	-	-	-	(71,961)	(71,961)
Non-current interest-bearing financial payables	-	-	-	-	(420,475)	(420,475)
Other non-current financial assets	-	-	-	-	(58,323)	(58,323)
Total	2,269	-	266,831	-	(896,777)	(627,677)

(€/000)	At fair value through profit and loss – Initially	At fair value through profit and loss – Subsequently	*Financial assets at 31/12/2019* Measured at amortized cost	At fair value through the Comprehensive income statement	*Financial liabilities at 31/12/2019* Measured at amortized cost	Total
Trade receivables	-	-	284,842	-	-	284,842
Other current assets	-	-	3,957	-	-	3,957
Other financial assets	2,290	-	1,936	-	-	4,226
Trade payables	-	-	-	-	(157,413)	(157,413)
Bank payables	-	-	-	-	(21,611)	(21,611)
Current interest-bearing financial payables	-	-	-	-	(195,110)	(195,110)
Other current liabilities	-	-	-	-	(89,199)	(89,199)
Non-current interest-bearing financial payables	-	-	-	-	(387,412)	(387,412)
Other non-current financial assets	-	-	-	-	(35,610)	(35,610)
Total	2,290	-	290,735	-	(886,355)	(593,330)

The financial assets measured at amortized cost generated revenues and costs. Revenues comprise exchange gains of €4,899k (€2,966k in 2019). Costs, on the other hand, comprise losses on receivables of €2,256k (€1,607k in 2019), classified in the income statement as other operating costs, and exchange losses of €5,430k (€2,688k in 2019).

The financial liabilities measured at amortized cost also generated costs and revenues in the income statement. Revenues comprise exchange gains of €3,003k (€4,429k in 2019), while costs refer to exchange losses of €7,488k (€4,459k in 2019) and the portion of ancillary charges initially incurred to obtain the loans and subsequently expensed over the duration of the loan in accordance with the financial method. Ancillary charges of €96k (€82k in 2019) were charged to the 2020 income statement.

Financial assets and liabilities measured at amortized cost generated respectively interest income of €5,990k (€5,552k in 2019) and interest expense of €6,044k (€9,316k in 2019); in addition, general and administrative expenses include commission amounts and bank charges of €1,597k (€1,720k in 2019).

30. Information on financial risks

The Group is exposed to financial risks associated with its activities:

- market risk (mainly related to currency exchange rates and interest rates) since the Group does business internationally and is exposed to the exchange risk;
- credit risk connected with business relations with customers;
- liquidity risk, with special reference to the availability of financial resources and access to the lending market and financial instruments in general;
- price risk in relation to metal price fluctuations that constitute a significant portion of the raw materials purchase price.

The Group is not exposed to significant risk concentrations.

As described in the Board of Directors' Report, the Interpump Group constantly monitors the financial risks to which it is exposed so that the potential negative effects can be evaluated in advance and appropriate actions can be taken to mitigate them.

The following section provides reference qualitative and quantitative indications concerning the uncertainty of such risks for the Interpump Group.

The quantitative data given below are not to be construed as forecasts; specifically, the sensitivity analyses concerning market risks are unable to reflect the complexity and correlated relations of markets that may derive from each prospected change.

Exchange risk

The Group is exposed to risks deriving from fluctuations in currency exchange rates that can impact on the economic result and shareholders' equity value. Specifically, it clarifies that:

- Some of the Group's subsidiaries are located in countries outside the Eurozone, notably in the USA, Mexico, Canada, Brazil, Chile, Peru, Australia, New Zealand, China, Hong Kong, Singapore, India, South Korea, Denmark, Sweden, Poland, Romania, Moldova, Bulgaria, Ukraine, UK, UAE, Russia, Colombia and South Africa. Since the Group's functional currency is the euro, the income statements of these companies are translated into euro at the average exchange rate of the year. Changes in exchange rates can impact on the corresponding value of revenues, costs and economic result in euro.
- The assets and liabilities of consolidated companies whose account currency is different from the euro can assume different equivalent euro values depending on the rates of exchange. As provided for by the reference accounting standards, the effects of changes in the exchange rate are recognized directly in equity in the Translation reserve. The Group monitors the main exposures to translation risk; at the date of the financial statements no hedges have been arranged in relation to these exposures.
- Wherever Group companies generate revenues in currencies other than the currencies in which the respective costs are denominated, exchange rate fluctuations can impact on the relative companies' operating profit.
  In 2020 the total amount of cash flows directly exposed to exchange risks corresponded to approximately 12% of Group turnover (approximately 11% in 2019). The main exchange rates to which the Group is exposed are:
  - Euro/USD in relation to dollar sales of high pressure pumps, very high pressure systems, directional controls, gears and valves in North America and Mexico through the Group's distribution companies and, to a lesser degree, to customers external to the Group;
  - Euro/CAD in relation to sales in Canadian dollars of valves and directional controls on the Canadian market to customers external to the Group;

- Euro/AUD in relation to sales in Australian dollars of very high pressure systems in Australia through one of the Group's distribution companies;
- Euro/GBP in relation to sales in pounds sterling of hydraulic components, hoses and fittings in the UK market to third parties and, to a lesser extent, to the Group's distribution companies;
- USD/Euro in relation to euro sales of high pressure pumps, directional controls and valves in North America by the Group's distribution companies;
- RON/Euro in relation to euro sales of hoses and fittings made in Romania for the Italian market;
- Chilean Peso/USD, in relation to sales in US dollars of various hydraulic components in South America;
- Renminbi/USD, Indian rupee/USD, Renminbi/Euro, Indian rupee/Euro, in relation to euro and dollar sales of components for food processing machines, hydraulic components, directional controls, gears and valves in North America, Korea and Italy;
- Mexican Peso/USD in relation to sales in US dollars of gears in North America through the Group's distribution companies;

In cases in which it is not possible to establish micro hedges between revenues and costs in foreign currency, it is current Group policy to take out exchange risk hedges only in the presence of commercial transactions classified as non-recurring, both in terms of amount or of the frequency with which they occur. To proceed in this manner, the Interpump Group has set up a hedging procedure for commercial transactions in foreign currency, in the framework of which the most effective derivative instruments for the achievement of the preset goals have been identified and the associated responsibilities, duties and system of delegations have been attributed.

- Whenever Group companies sustain costs denominated in foreign currencies other than the currencies of denomination of the relative revenues, fluctuations in the exchange rates can affect the operating profit of the companies in question.
  In 2020 the commercial cash flows directly exposed to exchange risks were equivalent to approximately 30% of Group purchases (29% in 2019) and mainly related to intercompany transactions involving the USD/Euro, Renminbi/Euro, Korean Won/Euro, GBP/Euro, AUD/Euro, CAD/USD, Euro/USD, USD/Renminbi, Indian Rupee/Euro, Romanian Leu /Euro and CAD/EUR exchange rates and, to a lesser extent, the Rand/Euro, Ruble/Euro, Chilean Peso/Euro and Brazilian Real/Euro exchange rates, carried out in local markets (*in primis* the North American market) via the Group's distribution companies. Current Group policy regarding purchases in currencies other than those used locally does not envisage systematic hedges. The decision to refrain from systematic hedging is due to the large number of transactions, usually between Group companies, that occur constantly throughout the year and that can therefore be considered to be recurrent in terms of amount and also of the frequency with which they take place. However, the Group monitors this phenomenon constantly both in relation to exchange rate trends and also the evolution of business.
- Again in relation to commercial activities, Group companies may be obliged to hold trade receivables or payables denominated in currencies other than the account currency of the holding entity. Fluctuations in exchange rates can therefore result in the realization or assessment of positive or negative exchange differences.
- In relation to financial exposure, wherever the monetary outflows/inflows are denominated in a currency other than the account currency utilized by the creditor/debtor company, fluctuation of the exchange rates can impact negatively on the net profits of said companies. In relation to financial exposures, €1.6m of intercompany loans were disbursed and €2.0m collected during 2020 in currencies other than those utilized by the debtor companies. At 31

December 2020 loans granted in currencies other than those used by the debtor companies total €26.7m, down by €0.3m since 31 December 2019. Once again in 2020, the Group made the strategic decision not to hedge these exposures.

The nature and structure of the exposure to exchange risk and the related hedging policies adopted by the Group were substantially unchanged in 2020.

Exchange risk sensitivity analysis

The potential loss deriving from the change in the fair value of financial assets and liabilities caused by a hypothetical and sudden increase in the value of the euro of 10% with respect to the main foreign currencies would be approximately €4,615k at 31 December 2020 (€5,940k at 31 December 2019).

The sensitivity analysis did not take account of changes in the receivables and payables in relation to which the hedge operations were arranged. It is reasonable to assume that the fluctuation in exchange rates could produce an opposite economic effect on the derivative financial instruments of an amount that is identical to the change in the underlying hedged transactions thereby effectively offsetting the fluctuation.

Interest rate risk

Group companies use external financial resources in the form of debt and employ cash on hand available in bank deposits. Changes in the market interest rate influence the cost and return of various forms of financing and investment, thus impacting on the Group's level of financial expenses.

It is currently Group policy not to arrange hedges, in view of the short average duration of the existing loans (around 3.5 years). As more fully described in Note 15, loans at fixed rates of interest total €14,831k at 31 December 2020.

At 31 December 2020, liquidity of €30.6m is held in the form of unrestricted deposits at fixed interest rates, while the remainder is held at floating rates consistent with the Group's financial payables and bank debt.

Sensitivity analysis related to interest rate risk

The effects on the Group of a hypothetical and immediate upward variation in interest rates of 50 basis points would be higher financial expenses, net of the increase in financial income, totaling €1,414k (€1,850k in 2019). It is reasonable to assume that a 50 basis points decrease in interest rates would produce an equivalent effect, although this time in terms of lower financial expenses. The sensitivity analysis did not take account of loans in relation to which hedges have been taken out, those at fixed interest rates and liquidity invested at fixed rates. It is reasonable to assume that the fluctuation in interest rates could produce an opposite economic effect on the derivative financial instruments of an amount that is identical to the change in the underlying hedged transactions thereby effectively offsetting the fluctuation.

Credit risk

The maximum theoretical credit risk exposure of the Group at 31 December 2020 and 2019 is represented by the carrying value of the financial assets recorded in the financial statements.

Historically, the Group has not suffered significant bad debts (0.2% of sales in 2020 compared with 0.1% in 2019). This is because Group companies generally grant extended payment terms only to their long-term customers of known solvency and reliability. In contrast, after having passed an initial credit rating analysis, new customers are required to make payments in advance or to open a letter of credit for amounts due.

Individual write-downs are applied in relation to positions, if of significant magnitude, in relation to which an objective condition of uncollectability is present for all or part of the outstanding amount. The amount of the write-down takes account of an estimate of the recoverable flows and the associated collection date, and the expenses and costs for future debt recovery. Collective provisions are allocated in relation to receivables that are not subject to individual write-downs, taking account of the historic exposure and statistical data.

At 31 December 2020 the Loans and Receivables booked under financial assets for the purposes of IFRS 7 total €278,067k (€290,735k at 31 December 2019), and include €11,236k related to written down receivables (€14,177k at 31 December 2019); on the residual amount, payments overdue by less than three months total €43,226k (€53,346k at 31 December 2019), while those overdue beyond three months total €19,313k (€24,871k at 31 December 2019). The increases were mainly due to the change in consolidation basis.

The Group is not exposed to any significant concentrations of sales. In fact, in 2020 the top customer in terms of sales accounted for about 2% (2% in 2019), while the top 15 customers accounted for about 11% of total sales (about 12% in 2019). The concentration is similar at sector level, since the top customer accounts for about 2% of the sales of the Water Jetting Sector and of the Hydraulic Sector, while the top 15 customers account for 9% of the sales of the Water Jetting Sector and 16% for the Hydraulic Sector.

Liquidity risk

The liquidity risk can arise if it becomes impossible to obtain, at acceptable economic conditions, the financial resources needed for the Group's business operations.

The two main factors that define the Group's liquidity situation are the resources generated by or used in operating and spending activities, and the characteristics of expiry and renewal of debt or liquidity of financial investments and the relative market conditions.

The Group has adopted a series of policies and processes aimed at optimizing the management of resources in order to reduce the liquidity risk:

- retention of an appropriate level of cash on hand;
- diversification of the banks with which the Group operates;
- access to adequate lines of credit;
- negotiation of covenants at a consolidated level;
- monitoring of the prospective conditions of liquidity in relation to the corporate process.

The maturity characteristics of interest bearing financial debts and bank debts are described in Note 15.

Management considers that the currently available funds and lines of credit, in addition to resources that will be generated by operating and financing activities will allow the Group to meet requirements deriving from investing activities, management of working capital and repayment of debts at the natural due date, in addition to ensuring the pursuit of a strategy of growth also by means of targeted acquisitions able to create value for shareholders. Liquid funds at 31 December 2020 total €343.2m. These funds, combined with the significant cash generation from operations that the Group has proved able to achieve in 2020 and in prior years, are definitely factors that make it possible to reduce the Group's exposure to liquidity risk. The decision to maintain a high level of liquidity was taken in order to pick up on any acquisition opportunities that may arise and to minimize the liquidity risk due to possible periods of uncertainty of the macroeconomic context that may emerge in the future.

Price risk

The Group is exposed to risks deriving from fluctuations in the prices of metals that can impact on economic results and profit margins. Specifically, the incidence of costs for the purchase of metals was 30% of total Group purchase costs of raw materials, semi-finished products and finished products in 2020 (29% in 2019). The main metals utilized by the Group include steel, cast iron, stainless steel, mild steel, aluminum, brass and, to a lesser extent, copper and sheet metal. The average prices of the raw materials used by the Group eased slightly on average during 2020. The Group sectors feature differing levels of propensity towards the risk of fluctuations in the prices of metals, notably:

- in the Water Jetting Sector the cost of metals constituted approximately 15% of costs for the purchase of raw materials, semi-finished products and finished products in 2020 (16% in 2019). The metals utilized are primarily stainless steel, brass, aluminum, steel and copper. The policy is to leave the cost of storage of materials to vendors; this means that the risk is hedged by means of orders for periods and quantities made at fixed price. Agreements in place at 31 December 2020 cover 85% of projected brass consumption in 2021 (8% coverage of projected brass consumption and 100% coverage of projected aluminum consumption in the following year, at 31 December 2019). The brass and aluminum consumption in 2021 and part of 2022 is covered in full, if the stocks on hand at 31 December 2020 are considered in addition to the agreements signed;
- the cost of metals in the Hydraulic Sector constituted around 37% of purchase costs for raw materials, semi-finished products and finished products in 2019 (34% in 2019). The metals utilized are primarily steel, cast iron, mild steel and aluminum. The prices of these commodities, with the exception of aluminum, are not historically subject to significant fluctuations, so the Group considers that the accurate analysis of price trends is a sufficient strategy to mitigate price risk. In relation to aluminum, no hedging transactions are undertaken because of the limited incidence on purchase costs.

Selling prices of the various Group companies are generally reviewed on an annual basis.

31. Notes to the cash flow statement

Property, plant and equipment

In 2020, the Group purchased property, plant and machinery totaling €56,719k (€84,382k in 2019). This investment involved payments of €64,036k, including the purchase of assets for subsequent rental and considering the dynamics of the payables incurred for this reason (€78,795k in 2019).

Cash and cash equivalents

This item can be broken down as follows:

	31/12/2020 (€/000)	31/12/2019 (€/000)
Cash and cash equivalents from the statement of financial position	343,170	233,784
Bank payables (current account overdrafts and advances subject to collection)	(10,592)	(22,076)
Cash and cash equivalents from the cash flow statement	332,578	211,708

Net financial position and cash-flow statement

For the amount and detail of the main components of the net financial position and the changes that occurred in 2020 and 2019 we invite you to refer to the "Cash Flow" section of the Report on operations.

32. Commitments

At 31 December 2020 the Group has commitments to purchase raw materials totaling €1,524k (€1,105k at 31 December 2019).

Furthermore, the Group also has commitments to purchase property, plant and equipment totaling €14,309k (€6,637k at 31 December 2019).

33. Transactions with related parties

The Group has business relations with unconsolidated subsidiaries, associates and other related parties at arm's length conditions considered to be normal in the relevant reference markets, taking account of the characteristics of the goods and services rendered. Transactions between Interpump Group S.p.A. and its consolidated subsidiaries, which are related parties of the Company, were eliminated in the consolidated financial statements and are not described in this note.

The effects on the Group's consolidated income statements for 2020 and 2019 are shown below:

	2020					
(€/000)	Consolidated Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incidence on F.S. caption
Net sales	1,294,363	1,983	-	372	2,355	0.2%
Cost of sales	830,878	7	-	6,510	6,517	0.8%
Other revenues	18,583	7	-	-	7	0.0%
Distribution costs	113,353	52	-	712	764	0.7%
G&A expenses	147,150	-	-	697	697	0.5%
Financial charges	21,372	-		552	552	2.6%

	2019					
(€/000)	Consolidated Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incidence on F.S. caption
Net sales	1,368,618	2,779	-	1,581	4,360	0.3%
Cost of sales	866,701	3,507	-	7,591	11,098	1.3%
Other revenues	20,115	9	-	-	9	0.0%
Distribution costs	124,323	38	-	793	831	0.7%
G&A expenses	145,556	-	-	610	610	0.4%
Financial charges	18,038	-		376	376	2.1%

The effects on the consolidated statement of financial position at 31 December 2020 and 2019 are described below:

	31 December 2020					
(€/000)	Consolidated Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incidence on F.S. caption
Trade receivables	261,707	1,904	-	908	2,812	1.1%
Trade payables	154,098	72	-	1,259	1,331	0.9%
Interest-bearing financial payables (current and non-current portions)	602,078	-	-	26,583	26,583	4.4%

	31 December 2019					
(€/000)	Consolidated Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incidence on F.S. caption
Trade receivables	284,842	2,361	-	1,359	3,720	1.3%
Other financial assets	4,226	1,931	-	-	1,931	45.7%
Trade payables	157,413	53	-	1,127	1,180	0.7%
Interest-bearing financial payables (current and non-current portions)	582,522	-	-	26,461	26,461	4.5%

Relations with non fully-consolidated subsidiaries

Relations with subsidiaries that are not fully consolidated are as follows:

(€/000)	Receivables		Revenues	
	31/12/2020	31/12/2019	2020	2019
Interpump Hydraulics Perù	1,003	1,183	236	549
Interpump Hydraulics Russia	337	695	969	1,619
General Pump China Inc.	564	261	785	620
FGA S.r.l.	-	220	-	-
Innovativ Gummi Tech S.r.l.	-	2	-	-
Total subsidiaries	*1,904*	*2,361*	*1,990*	*2,788*

(€/000)	Payables		Costs	
	31/12/2020	31/12/2019	2020	2019
FGA S.r.l.	-	20	-	638
General Pump China Inc.	61	32	707	628
Innovativ Gummi Tech S.r.l.	-	-	-	2,264
Interpump Hydraulics Russia	-	-	4	-
Interpump Hydraulics Perù	11	1	82	15
Total subsidiaries	*72*	*53*	*793*	*3,545*

(€/000)	Loans		Financial income	
	31/12/2020	31/12/2019	2020	2019
FGA S.r.l.	-	1,400	-	-
Innovative Gummi Tech S.r.l.	-	529	-	-
Inoxpa Poland Sp ZOO	-	2	-	-
Total subsidiaries	-	*1,931*	-	-

Innovativ Gummi and FGA have been consolidated on a line-by-line basis in 2020.

Relations with associates

The Group does not hold any associated companies.

Transactions with other related parties

The income statement includes consultancy provided by entities associated with Group directors and statutory auditors totaling €145k (€101k in 2019). The above consultancy costs were allocated to distribution costs, €60k (€70k in 2019), and to general and administrative expenses, €85k (€31k in 2019). Revenues from sales in 2020 included those made to companies owned by Group shareholders or directors totaling €372k (€1,581k in 2019). In addition, the cost of sales includes purchases from companies controlled by minority shareholders or Group company directors totaling €5,979k (€7,246k in 2019).

34. Events occurring after the close of the year

No significant events worthy of mention have taken place subsequent to 31 December 2020.

Annex 1

Certification of the consolidated financial statements pursuant to art. 81-(3) of Consob regulation no. 11971 (which refers to art. 154-(2), subsection 5, of the Consolidated Finance Act) of 14 May 1999, as amended

1. The undersigned, Fulvio Montipò and Carlo Banci, respectively Executive Director and Chief Reporting Officer of Interpump Group S.p.A., taking account also of the provisions of art. 154-(2), subsections 3 and 4 of legislative decree no. 58 of 24 February 1998, attest to:
   - adequacy in relation to the characteristics of the business and
   - effective application

   of the administrative and accounting procedures for the formation of the consolidated financial statements during 2020.

2. It is further attested that the consolidated financial statements of Interpump Group S.p.A. and its subsidiaries for the year ended 31 December 2020, which show consolidated total assets of €2,149,290k, consolidated net profit of €173,271k and consolidated shareholders' equity of €1,149,977k:
   a) correspond to the results of the company books and accounting entries;
   b) were prepared in compliance with the international accounting standards approved by the European Commission further to the enforcement of Ruling (CE) no. 1606/2002 of the European Parliament and the European Council of 19 July 2002, and the provisions issued in implementation of art. 9 of Italian legislative decree 38/2005 and the contents are suitable for providing a truthful and fair representation of the equity, economic and financial situation of the Parent company and the group of companies included in the scope of consolidation;
   c) include the Board of Directors' Report, which contains a reliable analysis of performance and results and the situation of the issuer and the companies included in the consolidation together with a description of the main risks and uncertainties to which they are exposed.

Sant'Ilario d'Enza (RE), 19 March 2021

Fulvio Montipò
Chairman and
Chief Executive Officer

Carlo Banci
Chief Reporting
Officer

Report of the Board of Statutory Auditors

Report of the Board of Statutory Auditors to the Shareholders' Meeting of Interpump Group S.p.A. pursuant to art. 153 of Decree no. 58/1998 and art. 2429 of the Italian civil code

To the Shareholders' Meeting of Interpump Group S.p.A.

Introduction

The Board of Statutory Auditors of Interpump Group S.p.A. (hereinafter also referred to as "IPG" or the "Company") is required, pursuant to art. 153 of Decree no. 58/1998 (hereinafter also referred to as the "TUF") and art. 2429, subsection 2, of the Italian civil code, to report to the Shareholders' Meeting, called to approve the financial statements for the year ended 31 December 2020, on the supervisory activities carried out during the year in the fulfillment of our duties, in part in our role as the Audit Committee, as well as on any omissions or inappropriate conduct that we identified, and on the results of the year. We are also required to make proposals regarding the financial statements, their approval and other matters for which we are responsible.

During the year ended 31 December 2020, and subsequently to date, the Board of Statutory Auditors has carried out the supervisory activities required by law, taking account of the Rules of conduct for Boards of Statutory Auditors of listed companies (hereinafter, the Rules) issued by the Italian Accounting Profession, the CONSOB instructions on the audit of companies, and the provisions of art. 19 of Decree no. 39/ 2010.

The separate and consolidated financial statements of IPG were prepared in accordance with the IAS/IFRS international accounting and financial reporting standards issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, and with the CONSOB instructions implementing art. 9, subsection 3, of Decree no. 38/2005.

The financial statements were prepared in compliance with the law and are accompanied by the documents specified by the Italian civil code and the TUF. Moreover, in accordance with legal requirements, the Company has also presented consolidated financial statements and the consolidated non-financial statement for 2020.

We obtained the information needed to carry out our assigned supervisory activities by attending the meetings of the Board of Directors and the established Board Committees, as well as by interviewing the management of the Company and the Group, gathering information from the competent corporate functions, and performing additional monitoring activities. This Board has further enhanced the exchanges of information with Board Committees and the Independent Auditors of the Company, having due regard for the contents of Notice 1/2021 issued by Consob on 16 February 2021.

Appointment and Independence of the Board of Statutory Auditors

The Board of Statutory Auditors in office at the date of this Report was appointed at the Shareholders' Meeting held on 30 April 2020: its members are Anna Maria Allievi (Chair), Roberta De Simone (Serving Auditor), Mario Tagliaferri (Serving Auditor), and Roberta Senni and Andrea Romersa (Alternate Auditors). The Board will remain in office for three years and will lapse on the date of the Shareholders' Meeting called to approve the 2022 financial statements.

The appointments were made from the two lists submitted, one by the majority shareholder and one by a number of institutional investors representing non-controlling interests, in compliance with the law, applicable regulations and the corporate bylaws. The Chair of the Board of Statutory Auditors and one Alternate Auditor were drawn from the minority list. The composition of the Board of Statutory Auditors complies with the gender balance criterion specified in art. 148, subsection 1-*(2)*, of Decree no. 58/1998 (T.U.F.), as amended by art. 1, subsection 303, of Law no. 160 dated 27 December 2019 and taking account of the clarifications contained in Consob Communication no. 1/2020 dated 30 January 2020.

The Board of Statutory Auditors checked that the independence requirements placed upon its members were satisfied both upon appointment and, subsequently, during 2020. This check was carried out in accordance with the criteria specified in the Rules published in April 2018, as supplemented in May 2019, and in the Code of Self-Regulation in force during 2020, which was replaced by the Corporate Governance Code from 1 January 2021. The outcome of these checks and the self-assessment (envisaged in standard Q.1.1. of the Rules) was communicated to the Board of Directors on 26 March 2021 pursuant to art. 144-*(9)*, subsection 1-*(3)*, of CONSOB Regulation no. 11971, and article 8.C.1 of the Corporate Governance Code.

Supervisory and control activities of the Board of Statutory Auditors

Supervision of compliance with the law and the bylaws

In the performance of its duties, the Board of Statutory Auditors has carried out the supervisory activities required by art. 2403 of the Italian civil code, art. 149 of Decree no. 58/1998, art. 19 of Decree no. 39/2010, and the CONSOB recommendations on company audits and the activities of the Board of Statutory Auditors, while also making reference to the provisions of the Corporate Governance Code and the Standards of Conduct for Boards of Statutory Auditors issued by the Italian Accounting Profession.

In the context of our duties we have therefore:

- attended the meetings of the Shareholders and the Board of Directors, supervising their compliance with the bylaws, current legislation and the regulations governing the operation of corporate bodies, as well as with the principles of proper administration;
- monitored, to the extent of our responsibilities, the adequacy of the organizational structure of the Company and compliance with the principles of proper administration, by means of direct observation, collection of information from the managers of certain business functions, and meetings with the Independent Auditors as part of the reciprocal exchange of data and significant information;
- assessed and monitored the adequacy of the internal control system and the administrative and accounting system, and the reliability of the latter in terms of representing operating events correctly, by means of the information provided by the managers of the respective functions, examination of the corporate documents and analysis of the results of the work carried out by the Independent Auditors;
- held 8 meetings during the year, of which 5 following appointment of the current Board on 30 April 2020; these meetings were attended by all members and had an average duration of about 2 hours. The Board also attended all 11 meetings of the Board of Directors, as well as the meetings the Board Committees (Control, Risks and Sustainability Committee, Related-Party Transactions Committee, Remuneration Committee and Appointments Committee);
- supervised the adequacy of the reciprocal flow of information between IPG and its subsidiaries pursuant to art. 114, subsection 2, of Decree no. 58/1998, which is assured by the instructions issued by the management of the Company to the various Group

companies;
- monitored compliance with the “Market Abuse”, “Investor Protection” and “Internal Dealing” rules, with special reference to the treatment of inside information and the procedures for the dissemination of communications and information to the public. In addition, we monitored the changes made to the procedure adopted by the Company for the management of inside and significant information, having regard for Consob Guidelines no. 1/2017;

The Board of Statutory Auditors also:
- obtained adequate information from the Directors about the activities undertaken and the operations of greatest economic, financial and capital significance performed by the Company and its subsidiaries pursuant to art. 150, subsection 1, TUF. In this regard, both jointly and individually, we paid special attention to ensuring that the operations authorized and carried out were performed in compliance with the law and with the bylaws, and were not imprudent or subject to undue risk, in contrast with resolutions adopted at the Shareholders’ Meeting, in potential conflict of interest, or capable of jeopardizing the integrity of net equity;
- held meetings with the representatives of the Independent Auditors pursuant to art. 150, subsection 3, TUF, from which no significant data and/or information emerged that should be mentioned in this Report;
- exchanged information with the boards of statutory auditors of the companies directly or indirectly controlled by IPG S.p.A. pursuant to art. 151, paras. 1 and 2, TUF;
- supervised the practical implementation of the rules of corporate governance set down in the Corporate Governance Code to which the Company adheres, as adequately described in the Report on Corporate Governance and the Ownership Structure, in compliance with art. 124-*(3)* TUF and art. 89-*(2)* of the Issuers’ Code;
- checked, in relation to the periodic assessment required pursuant to art. 3.C.5 of the Corporate Governance Code, in the framework of our supervision of the practical implementation of the corporate governance rules, the proper application of the appraisal criteria and procedures adopted by the Board of Directors to confirm the independence of the Directors.

We agreed with the positive evaluation expressed by the Appointments Committee and adopted by the Board of Directors on 12 February 2021, as required by application criterion no. 1.C.1, letter g) of the Corporate Governance Code, concerning the size and composition of the administrative body and its operation, and the size, composition and operation of the board committees. The assessment was carried out using specific measurement criteria, updating those adopted in the prior year, based on the results of a self-assessment questionnaire revised and reformulated in February 2021 by the Appointments Committee and completed by all members of the Board of Directors.
We also issued our opinion pursuant to art. 2389, subsection 3, of the Italian civil code, having regard for the conclusions of the Remuneration Committee concerning the proposal made for the remuneration of the Directors with special duties;

Supervision of the adequacy of the administrative-accounting system and the legal audit of the accounts

Pursuant to art. 19 of Decree no. 39/2010 (consolidated legal auditing law), the Board of Statutory Auditors, in our role as the "Internal Control and Audit Committee", is required to supervise:

- the financial reporting process;
- the efficacy of the internal control and risk management system;
- the legal audit of the annual and consolidated financial statements;
- the independence of the Independent Auditors, particularly with regard to the provision of non-auditing services.

We performed our work in collaboration with the current Control, Risks and Sustainability Committee, in order to coordinate the respective duties and avoid the overlap of activities.

Financial reporting process

We supervised the presence of rules and procedures governing the preparation and dissemination of financial information. In this regard, the Report on corporate governance and the ownership structure illustrates the ways in which the Group has defined its Internal Control and Risks Management System in relation to the financial reporting process at a consolidated level. The post of Chief Reporting Officer is held by Carlo Banci.
The Chief Reporting Officer makes use of support from the Internal Audit function to check the operation of the administrative and accounting procedures via the testing of controls.

We confirm that we have received adequate information on the work to monitor the corporate processes with an administrative-accounting impact, in the framework of the internal control system, that was carried out both during the year, in relation to the interim financial reports, and at the time of closing the accounts for preparation of the financial statements, in compliance with the monitoring and certification obligations to which IPG S.p.A. is subject pursuant to the provisions of Law no. 262/2005. In particular, we took account of the Risk Assessment and the half-yearly update of test activities pursuant to Law no. 262/2005.

The adequacy of the administrative-reporting system was also assessed via the acquisition of information from the managers of the respective functions and analysis of the results of the work carried out by the Independent Auditors.
No particular issues or impediments emerged to prevent the release of certification by the Chief reporting officer and the Chief executive officer concerning the adequacy of the administrative and accounting procedures for the preparation of the separate financial statements of IPG S.p.A. and the consolidated financial statements for 2020.
We supervised compliance with the rules concerning the preparation and publication of the Interim Financial Report and the Interim Board of Directors' Reports, their format and the proper application of accounting standards, partly by reference to information obtained from the Independent Auditors.

Furthermore, we acknowledge that:

- the Independent Auditors responsible for legal audit of the accounts have explained their checks to us and did not highlight any matters during our periodic meetings;
- we supervised the audit of the annual and consolidated accounts, obtaining information from and holding discussions with the Independent Auditors, which also covered the innovations introduced with regard to their auditors' report concerning, in particular, Key Audit Matters.

With regard to the above, we were informed of all the main stages of the auditing activity, including identification of the areas of risk, with a description of the related procedures adopted, and the main accounting policies applied by IPG. We also acknowledge that the Independent Auditors EY S.p.A. have issued their opinions on the consolidated financial statements and the separate financial statements today (29 March 2021), and have also issued today the Supplementary Report for the Board of Statutory Auditors required by art. 11 of Regulation (EU) 2014/537.

We have supervised the independence of the Independent Auditors EY S.p.A., checking the nature and extent of any services rendered other than the audit of IPG and subsidiaries, and have obtained explicit confirmation from the Independent Auditors that their independence requirements have been met. The declaration regarding independence is included, pursuant to art. 11, para. 2, letter a), of Regulation (EU) 2014/537, in the above-mentioned Supplementary Report.

As required by art. 149-(12) of the Issuers' Regulation, as amended by Consob Decision no. 15915 dated 3 May 2007 published in Italian Official Gazette no. 111 dated 15 May 2007 (S.O. no. 115), the fees earned in 2020 for services provided to the Group by the Independent Auditors, and firms belonging to its network, are listed below:

- audit of the Parent Company, €127k;
- audits of subsidiaries, €1,059k;
- limited assurance of the Parent Company's Non-Financial Statement, €48k.

The above amounts are included under Other costs within general and administrative expenses.

The scope of the audit changed in 2020 as a result of acquisitions made by the Group and corresponding fee adjustments were made. In the light of the matters presented above, the Board of Statutory Auditors deems that independence requirements placed on EY S.p.A. are satisfied.

Supervision of the adequacy of the system of internal control and the organizational structure

We have assessed and supervised the adequacy of the internal controls and the efficacy of the internal control and risk management systems. We confirm that we have checked the most significant activities performed by the internal control and risk management system, taken as a whole, by attending the meetings of the Control, Risks and Sustainability Committee and the Related-Party Transactions Committee together with:

- the Director in charge of the internal control and risk management system;
- the Internal Audit, Risk & Compliance function;
- the Chief Reporting Officer;
- the Supervisory Body;
- the information systems manager;
- the investor relations officer.

In the framework of this activity, in particular, we acknowledge that we have received and examined:

- the periodic reports on the activities performed, prepared by the Control, Risks and Sustainability Committee and by the Internal Audit, Risk & Compliance function;
- the reports prepared by the Internal Audit, Risk & Compliance function on conclusion of the checking and monitoring activities, the actions recommended and the checks on their implementation;
- periodic updates on the changes in the risk management process, the results of the

monitoring and assessment activities performed by the Internal Audit, Risk & Compliance function and the Group Risk Management & Corporate Finance function, and the objectives reached.

We acknowledge and agree with the update of the risk management policy for the IPG Group. We also examined, on a half-yearly basis, the periodic reports on the activities carried out by the Supervisory Body and the related activity plan and 2021 budget. Similarly, we acknowledge the work on compliance with Decree no. 231/2001 and the plan of activities for 2020, examining and agreeing the proposed update to the Organization and Management Model pursuant to Decree no. 231/2001.

Further to our activity during the year, as illustrated in detail above, we agreed with the positive assessment expressed by the Control, Risks and Sustainability Committee regarding the adequacy of the System of internal control and risk management.

Supervision of compliance with the principles of proper administration

Based on the information obtained and the analyses conducted, our supervisory activities confirm that the transactions of greatest financial and economic significance performed by the Company, or via directly-held subsidiaries, are those described below and illustrated in detail in the report of the Board of Directors.

In particular, as in prior years, the operations of Interpump Group S.p.A. consisted in ordinary industrial activities, the strategic and operational coordination of the Group, the drive to optimize the Group's cash flows, and the search for and selection of new equity investments that can help to accelerate the growth of the Group. Compared with 2019, the 2020 consolidation includes the Transtecno Group (Hydraulic Sector) and six months of Servizi Industriali S.r.l. (Water Jetting Sector), which was acquired in July 2020. The Reggiana Riduttori Group was consolidated in full in 2020, but only for three months in 2019, since it was acquired on 15 October 2019. Hydra Dyne Technology Inc. (Hydraulic Sector), acquired on 1 March 2019, was consolidated for ten months in the prior year and in full in 2020. FGA S.r.l. and Innovativ Gummi Tech S.r.l. (Hydraulic Sector) have also been consolidated on a line-by-line basis from 1 January 2020. They were not consolidated in 2019 due to their insignificance. Lastly, Pioli S.r.l. (Water Jetting Sector), acquired on 1 April 2019, was consolidated for nine months in 2019 and in full in 2020.
In compliance with the requirements of IFRS 10 and IFRS 3, Inoxihp, Mega Pacific Australia, Mega Pacific New Zealand, Inoxpa Solution Moldova, Hydra Dyne Technology, Transtecno and Servizi Industriali, which are not wholly owned, have been consolidated in full with the recognition of a payable representing the estimated present value of the exercise price of the related purchase options, determined with reference to the business plans of the companies. Any changes in the above payable identified within 12 months of the date of acquisition, as a result of additional or better information, will be recorded as an adjustment of goodwill, while any changes emerging more than 12 months after the date of acquisition will be recognized in the income statement.
Further to the activity of supervision and control performed in the year, we can attest to the fact that:

- the activities performed did not reveal any omissions, irregularities, inappropriate conduct or significant violations that should be reported to the supervisory authorities or mentioned in this Report;
- we have not received any complaints pursuant to art. 2408 of the Italian civil code, nor have we received petitions from third parties;
- we have not identified any transactions with third parties, within the Group and/or with related parties that were atypical or unusual in terms of their content, type, size, or timing.

Supervision of the implementation of corporate governance rules

We have assessed the application of the rules of corporate governance set down in the Corporate Governance Code adopted by IPG, principally by analyzing the Report on Corporate Governance and the Ownership Structure and comparing its content with the results of our general supervisory activities. In particular, we considered the degree of compliance by IPG with the requirement to inform the market, in the report on corporate governance, on its application of the Code, having regard for the provisions of art. 123-*(2)* TUF.

The Board of Statutory Auditors believes that the Report on Corporate Governance has been prepared in accordance with the instructions accompanying the Regulations for Markets Organized and Managed by Borsa Italiana.

Additional supervisory activity in relation to the separate financial statements, the consolidated financial statements and the consolidated statement of non-financial information

With regard to the separate financial statements at 31 December 2020, the consolidated financial statements at that date and the related Board of Directors' Report, we draw your attention to the following matters:

- by means of direct checks and information obtained from the Independent Auditors, we ascertained compliance with the laws governing the preparation and content of the separate financial statements, the consolidated financial statements and the Board of Directors' report, as well as the formats adopted for the accounting schedules, confirming proper application of the accounting standards and policies described in the notes to the financial statements and the report of the Board of Directors;
- in application of CONSOB Resolution no. 15519/2006, the effects of transactions with related parties are expressly indicated in the accounting schedules;
- the financial statements reflect the events and information that came to our attention in the performance of our supervisory duties and the exercise of our powers of monitoring and inspection;
- to our knowledge, during preparation of the financial statements the Directors did not make any exceptions to the law, as would be allowed under certain circumstances pursuant to art. 2423, subsection 5, of the Italian civil code;
- the Chief executive officer and the Chief reporting officer have issued the certification required by art. 81-*(3)* of CONSOB Regulation no. 11971/1999 as amended, and art. 154-*(2)* of Decree no. 58/1998 (TUF);
- the Board of Directors' Report complies with the relevant legal requirements and is consistent with the data and results reflected in the financial statements; it makes the necessary disclosures about the significant activities and transactions that were drawn to our attention during the year, about the principal risks faced by the Company and its subsidiaries, about intercompany and related-party transactions, and about the alignment of the organization with the principles of corporate governance, consistent with the Code of Corporate Governance for listed companies;
- pursuant to the terms of art. 123-*(3)* of Decree no. 58/1998 (TUF), the Shareholders' Meeting will receive the Remuneration report that we have examined, agreeing its format in a joint meeting held with the Remuneration Committee.

In relation to the Consolidated non-financial statement, in conformity with the provisions of Decree no. 254 dated 30 December 2016 we monitored compliance with the requirements of the Decree and CONSOB resolution no. 20267 dated 18/01/2018 regarding preparation of the statement, obtaining the attestation dated 29 March 2021 issued by the designated independent auditing firm, EY S.p.A. This activity did not reveal any matters that should be mentioned in this report.

Recommendations for the appointment of the new Legal Auditor

At the start of 2021, Interpump Group S.p.A. commenced procedures for the selection of a new firm of Legal Auditors to be appointed for the period 2023-2031.
In its role as the "Internal Control and Audit Committee", the Board of Statutory Auditors:

- firstly discussed with the competent business functions the process for identifying and selecting the auditing firms to be approached for proposals, applying the transparent and non-discriminatory criteria required by law that enable participation by candidates with adequate sector experience and skills, as well as the organizational structure required to audit a Group with the characteristics of IPG;
- supervised the process for selecting auditing firms adopted by the Company, both with regard to the choice of firms to contact and the structure of the request for proposals, covering the various phases of the process, the scoring system adopted and the preparation of the assessment matrix, in order to ensure the full traceability of the selection procedure;
- on 25 March 2021, issued a Recommendation, pursuant to arts. 13, subsection 1, and 17, subsection 1, of Decree no. 135 dated 17 July 2016 and art. 16 of Regulation (EU) no. 537/2014 of the European Parliament and of the Council of 16 April 2014, that the Board of Directors of Interpump Group S.p.A. should propose to the Shareholders' Meeting called for 30 April 2021 the appointment of one of the following firms as legal auditor for the nine-year period 2023-2031: PricewaterhouseCoopers S.p.A. or Deloitte & Touche S.p.A., with a preference for the former.

Assessment of the impacts of COVID-19

The COVID-19 pandemic had a major economic and social impact on 2020, with all companies around the globe engaged in tackling a monumental healthcare emergency.
Right from the start of the emergency, the Company monitored the spread of COVID-19 and adopted promptly all necessary pandemic prevention, control and containment measures at every location throughout the world.
During the first six months of 2020, all Group plants were subjected to periods of lockdown that differed by country; prior to the restart of productive activities, the Group implemented all necessary measures to tackle the virus and safeguard the health of employees and collaborators alike: changes in production layout, sanification of premises, purchase of PPE, measurement of temperatures with heat cameras, dissemination of hygiene and social-distancing rules, extension of smart working.
In order to contain the cost of inactive personnel, recourse was made to social buffers and other forms of public support made available to workers in each country and, in addition, containment plans were implemented in relation to discretionary costs.
The Report accompanying the financial statements for the year ended 31 December 2020 details the measures adopted to protect the stakeholders of the Company during the COVID-19 emergency, the measures designed to mitigate the impact on profitability and cash generation and strengthen the financial structure of the Group, and the accounting impact of grants and assistance made available by various governmental authorities in order to offset, at least in part, the effects of the loss of revenues caused by the lockdown measures.
In this context and in view of the numerous regulations issued by the Italian Authorities, taking due account of CONSOB Notice no. 1 dated 16 February 2021, the Board of Statutory Auditors dedicated particular attention to the planning process implemented by the Company, considering the possible impact on its objectives and business risks deriving from the pandemic, use of the economic support measures and their possible withdrawal, while also monitoring the

repercussions of the actions taken by the Administrative Department on the financial data of the Company.
The Board of Statutory Auditors checked that, in accordance with the recommendations of CONSOB and ESMA (*European Securities and Markets Authority*), the Directors have included the above information in the 2020 Financial Report.
Lastly, shortly before the issue of this report, this Board held specific discussions with the Independent Auditors about measurement of the assets and liabilities of the Company at fair value on the reporting date for the 2020 Financial Report, pursuant to IFRS 13, having regard for the unusual circumstances described above; we did not identify any matters that should be mentioned in this report.
With regard to the Shareholders' Meeting called for 30 April 2021, the Board of Statutory Auditors notes that Decree no. 18 dated 17 March 2020 "Cure Italy" (as most recently extended by Decree no. 183 dated 31 December 2020 "Blanket extensions") authorizes ordinary and extraordinary meetings to be held "behind closed doors", enabling companies to include in their notices of calling, as exceptions to the requirements of their by-laws, recourse to instruments - such as voting by correspondence, electronic voting, meeting attendance via remote communications, appointment of a designated representative - that allow participation and the exercise of voting rights without need for the physical presence of the shareholders in a single location.
In this regard, the Board of Statutory Auditors will work closely with the Board of Directors, so that the Shareholders' Meeting can be held in an orderly manner, with the proper exercise of shareholder rights in compliance with the above instructions.

Proposal to the Shareholders' Meeting

Considering the financial statements for the year ended 31 December 2020, the Board of Statutory Auditors - after taking account of the specific tasks assigned to the Independent Auditors with regard to the accounting checks and verification of the reliability of the financial statements - has no objections to make about their approval or the resolutions proposed by the Board of Directors regarding allocation of the profit for the year to the extraordinary reserve and the distribution of part of the extraordinary reserve as a dividend of EUR 0.26 for each ordinary share outstanding.
You are also informed that, on approval of the financial statements for the year ended 31 December 2022, the mandate as legal auditor of the accounts granted for the nine-year period 2014-2022 to EY S.p.A. will expire; accordingly, in its role as the "Internal Control and Audit Committee", on 25 March 2021 the Board of Statutory Auditors issued the required recommendation prepared pursuant to arts. 1, subsection 1, and 17, subsection 1, of Decree no. 39 dated 27 January 2010, as amended respectively by arts. 16 and 18 of Decree no. 135 dated 17 July 2016, and to art. 16 of Regulation (EU) no. 537/2014 of the European Parliament and of the Council of 16 April 2014.

S. Ilario d'Enza, 29 March 2021

The Board of Statutory Auditors

Anna Maria Allievi

Roberta De Simone

Mario Tagliaferri

EY
Building a better working world

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014 (Translation from the original Italian text)

To the Shareholders of
Interpump Group S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Interpump Group S.p.A. and its subsidiaries ("Interpump Group" or "the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated income statement, the consolidated comprehensive income statement, the consolidated statement of changes in shareholder's equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Interpump Group S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

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Key Audit Matter	Audit Response
Business combinations During the financial year 2020, the Group completed the acquisition of Transtecno Group and the entity Servizi Industriali S.r.l.. These acquisitions led to the recognition, among other components, of goodwill equal to Euro 54 million allocated to the respective CGUs, and to the recognition of intangible fixed assets with a finite useful life/tangible for a gross amount equal to Euro 15.3 million. At December 31, 2020 the residual liability linked to these acquisitions was equal to Euro 35.7 million, entirely classified among non-current liabilities. The processes and accounting policies for acquisition transactions require, for each transaction, the identification of all intangible assets acquired, the allocation of the purchase price to the fair value of the assets acquired and liabilities assumed and the determination of the present value of the exercise price of the purchase options on minority interests, which are sometimes based on complex assumptions that by their nature involve Directors' judgmental considerations, in particular with reference to the forecast of profitability and cash flows that such companies will generate in the future. Business combinations were, therefore, considered as a key audit matter in relation to the estimates made by Directors with reference to the determination of the present value of the exercise price for the purchase options on minority interests as well as the identification of the acquired intangible assets and the allocation of the purchase price to the fair value of the assets acquired and liabilities assumed. The financial statement disclosures related to business combinations are included in note 3.1 "Accounting standards" and note 5 "Business combinations".	The audit procedures performed to address this key audit matter include, among others: • an analysis of the signed acquisition agreements in order to understand the key terms and conditions; • the assessment of the accounting for such transactions; • the identification and assessment of the estimated fair values of the assets acquired and liabilities assumed at the acquisition date; • a critical assessment of the valuation assumptions such as long-term growth rates and discount rates underlying Directors' estimate of the present value of the exercise price for the purchase options on minority interests. Finally, we reviewed the adequacy of the disclosures provided in the notes to the financial statements in relation to business combination transactions.

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Key audit matters	Audit Response
Valuation of goodwill	
Goodwill as of December 31, 2020 amounts to Euro 549,2 million, allocated to the Cash Generating Units ("CGUs") related to the Water Sector, for Euro 210,6 million, and to the Oil Sector for Euro 338,6 million. The processes and valuation methodologies for assessing and determining the recoverable value of each CGU, in terms of value in use, are based on assumptions, sometimes complex, that by their nature require the Directors' judgment, in particular with reference to the forecasted future cash flows for the period covered by the Group's business plan, the determination of the normalized future cash flows underlying the estimated terminal value, as well as the determination of long-term growth rates and discount rates applied to the forecasted future cash flows. Considering the judgment required and the complexity of the assumptions used in the estimate of the recoverable value of the goodwill, and the number of business combinations carried out by the Group, we considered this area as a key audit matter. The financial statements disclosures related to goodwill are included in note 3.1 "Accounting standards" and note 11 "Goodwill".	The audit procedures performed to address this key audit matter include, among others: • the assessment of the process and key controls implemented by the Group regarding the assessment of goodwill; • the assessment of the CGUs' perimeter and the allocation of the carrying values of the assets and liabilities to the individual CGUs; • the assessment of forecasted future cash flows; • the assessment of the consistency of the forecasted future cash flows of each CGU with the Group's business plan for the period 2021-2025; • the assessment of the accuracy of forecasted measures as compared to actual data from previous years; • the assessment of the long-term growth rates and discount rates. In performing our audit procedures, we also involved our valuation specialists who independently performed a recalculation and sensitivity analyses on key assumptions in order to determine any changes in assumptions that could significantly impact the valuation of the recoverable value. Lastly, we evaluated the adequacy of the disclosures provided in the notes to the financial statements in relation to the valuation of goodwill.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Interpump Group S.p.A. or to cease operations, or have no realistic alternative but to do so.
The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Interpump Group S.p.A., in the general meeting held on April 30, 2014, engaged us to perform the audits of the consolidated financial statements for each of the years ending 31 December 2014 to 31 December 2022.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Interpump Group S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Interpump Group as at 31 December 2020, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Interpump Group as at 31 December 2020 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Interpump Group as at 31 December 2020 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Interpump Group S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information has been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information is subject to a separate compliance report signed by us.

Bologna, 29 March 2021

EY S.p.A.
Signed by: Marco Mignani, (Auditor)

This report has been translated into the English language solely for the convenience of international readers.

Separate Financial Statements at 31 December 2020

Interpump Group S.p.A.

Contents

2020 Board of Directors' Report
of the Parent Company Interpump Group S.p.A.

ALTERNATIVE PERFORMANCE MEASURES

The Company monitors its operations using several alternative performance measures that are not identified as accounting parameters in the framework of IFRS standards, to allow better evaluation of the trend of economic operations and the Company's financial position; such measures are also tools that can assist the directors in identifying operating trends and in making decisions on investments, resource allocation and other business matters. Therefore, the measurement criterion applied by the Company may differ from the criterion adopted by other companies and hence the Company may not be comparable with such other companies. Such alternative performance measures are constituted exclusively starting from the Company's historic data and measured in compliance with the matters established by the Guidelines on Alternative Performance Measures issued by ESMA/2015/1415 and adopted by Consob with communication no. 92543 of 3 December 2015. The measures in question refer only to performance in the accounting period illustrated in this Annual Financial Report and the periods placed in comparison with it, and not to the expected performance and they must not be considered to replace the indicators provided by the reference accounting standards (IFRS). Finally, the alternative measures are processed continuously and with uniformity of definition and representation for all the periods for which financial information is included in this Annual Financial Report.

The performance indicators used by the Company are defined as follows:

- **Earnings/(Losses) before interest and tax (EBIT)**: Net sales plus Other operating income less Operating costs (Cost of sales, Distribution costs, General and administrative expenses, and Other operating costs);
- **Earnings/(Losses) before interest, tax, depreciation and amortization (EBITDA)**: EBIT plus Depreciation, Amortization, Writedowns and Provisions;
- **Net indebtedness (Net Financial Position)**: calculated as the sum of Loans obtained and Bank borrowing less Cash and cash equivalents;
- **Capital expenditure (CAPEX)**: the sum of investment in property, plant and equipment and intangible assets, net of divestments;
- **Free Cash Flow**: the cash flow available for the Company, defined as the difference between the Cash flow from operating activities and the Cash flow absorbed by investments in tangible and intangible fixed assets;
- **Capital employed**: calculated as the sum of Shareholders' equity and Net financial position, including Debts for the acquisition of equity investments.

Interpump Group S.p.A. presents its income statement by functional areas (also called the "cost of sales" method). This form is deemed more representative than its “type of expense” counterpart, which is nevertheless included in the notes to the Annual financial report. The chosen form, in fact, complies with the internal reporting and business management methods.

The cash flow statement was prepared using the indirect method.

As in previous years, the operations of Interpump Group S.p.A. consisted, in addition to ordinary industrial activities, in the strategic and management coordination of the Group, in the drive to optimize its financial flows, and in research activities and the selection of equity investments to acquire with the aim of maximizing the Group's rate of growth. The acquisitions of the Transtecno Group and Servizi Industriali S.r.l. during 2020 were consistent with this external growth strategy. A more complete discussion of these operations is given in the “Report on operations” accompanying the Consolidated Annual Financial Report at 31 December 2020.

The Company absorbed Mariotti & Pecini S.r.l., a subsidiary, during the year. The absorption was performed to exploit all possible manufacturing and commercial synergies thereby improving the efficiency of production systems and keeping a tighter rein on costs for additional gains in profitability.

1 Profitability

Interpump Group S.p.A. booked net revenues of €100.5m (€98.9m in 2019). An analysis by geographic area of the revenues from sales and services is given in the commentary on this item in the notes to the financial statements.

The cost of sales accounted for 62.4% of turnover (61.6% in 2019). Production costs, which totaled €32.1m (€32.1m in 2019 as well) accounted for 31.9% of sales (32.5% in 2019). The purchase cost of raw materials and components sourced on the market, including changes in inventories, totaled €30.6m equivalent to 30.4% of sales (€28.8m in 2019).

Distribution costs totaled €6.0m (€6.3m in 2019), reflecting a decrease in their incidence on sales by 0.4 percentage points compared to 2019.

General and administrative expenses amounted to €25.9m (€18.4m in 2019). Excluding the provision for the termination indemnities of Fulvio Montipò, these expenses amounted to €18.4m, as in 2019, and their incidence on sales fell by 0.3 percentage points.

Total payroll costs were €28.7m (€28.2m in 2019) with an average of 478 employees (479 employees in 2019). The per capita cost was slightly higher than in the prior year (+2.1%).

The reconciliation of the income statement to obtain sub-totals is shown below:

	2020 (€/000)	*% on sales*	*2019 (€/000)*	*% on sales*
Ordinary profit before financial charges	95,997		65,350	
Dividends	(88,679)		(50,173)	
Impairment losses on investments	4		6	
Operating profit (EBIT)	***7,322***	***7.3%***	***15,183***	***15.4%***
Amortization, depreciation and write-downs	13,076		4,898	
Gross operating profit (EBITDA)	***20,398***	***20.3%***	***20,081***	***20.3%***

EBIT amounted to €7.3m (7.3% of sales) compared with €15.1m in 2019 (15.4% of sales), due to the provision in 2020 of the termination indemnities of Fulvio Montipò, founder of the Group, totaling €7,443k.

EBITDA totaled €20.4 million or 20.3% of sales, compared to €20.1 million in 2019, which also represented 20.3% of sales.

The year ended 31 December 2020 closed with a net profit of €101.8m (€60.2m in 2019). Dividends from subsidiaries recognized in the income statement totaled €88.7m in 2020 and €50.2m in 2019.

The effective tax rate for 2020, after dividends and the tax redemption of goodwill, was 22.6% compared with 27.9% in 2019.

2 Statement of financial position

The statement of financial position is analyzed below in terms of the sources and applications of funds:

	31/12/2020 (€/000)	*%*	*31/12/2019 (€/000)*	*%*
Trade receivables	15,975		16,135	
Net inventories	22,945		23,810	
Other current assets	44,294		40,413	
Trade payables	(14,976)		(16,234)	
Short-term tax payables	(739)		(641)	
Other short-term liabilities	(8,045)		(7,028)	
Net working capital	**59,454**	**6.9**	**56,455**	**6.8**
Net intangible and tangible fixed assets	38,848		38,402	
Goodwill	44,537		34,112	
Equity investments	632,902		600,465	
Other financial fixed assets	82,771		107,624	
Other non-current assets	13,377		2,757	
Liabilities for employee benefits	(5,250)		(5,216)	
Medium/long-term portion for provisions for risks and charges	(7,521)		(66)	
Other medium/long-term liabilities	(1,339)		(764)	
Total net fixed assets	**798,325**	**93.1**	**777,314**	**93.2**
Total capital employed	**857,779**	**100.0**	**833,769**	**100.0**
Financed by:				
Total shareholders' equity	**514,643**	**60.0**	**457,900**	**54.9**
Cash and cash equivalents	(136,677)		(95,371)	
Bank payables	207		388	
Short-term interest-bearing financial payables	143,390		150,841	
Short-term payables for acquisition of investments	1,125		16,878	
Total short term financial payables (cash)	**8,045**	**0.9**	**72,736**	**8.7**
Total medium/long-term financial payables	**335,091**	**39.1**	**303,133**	**36.4**
Total sources of financing	**857,779**	**100.0**	**833,769**	**100.0**

The format of the reclassified statement of financial position makes it possible to appreciate the financial strength of the Company, highlighting its ability to maintain financial equilibrium over the long term.

3 Capital expenditure

Capital expenditure on tangible fixed assets was 5.3 million euro (6.5 million euro in 2019) and related to the normal renewal and modernization of plant and equipment.

The difference with respect to the expenditure recorded in the cash flow statement is due to the dynamics of payments.

Increases in intangible assets amounted to €0.6m (€1.1m in 2019), mostly due to the capitalization of product development costs.

4 Loans

Net indebtedness at 31 December 2020 is €342.0m (€359.0m at 31/12/2019). The changes during the year are analyzed in the table below:

	2020 (€/000)	2019 (€/000)
Opening net financial position	**(358,991)**	**(306,538)**
Adjustment: Effect of IFRS 16 on the opening net financial position	-	(5,256)
Adjustment: Opening net financial position of absorbed companies	2,777	407
Adjusted opening net financial position	**(356,214)**	**(311,387)**
Cash flow from operations	14,050	13,792
Principal portion of leasing installments paid	(867)	(694)
Liquidity generated (absorbed) by operating capital	2,672	379
Liquidity generated (absorbed) by other current assets and liabilities	554	275
Net investment in tangible and intangible fixed assets	(7,290)	(5,799)
Received financial income	1,838	1,306
Other	119	83
Free cash flow	*11,076*	*9,342*
Proceeds (payments) from the disposal (purchase) of investments	(47,179)	(26,237)
Purchase of treasury shares	(48,487)	(78,993)
Proceeds from sales of treasury shares for stock options	14,480	3,823
Principal portion of leasing installments paid	867	694
Principal portion of new leasing contracts arranged	(313)	(311)
Restatement and early redemption of leasing contracts	(95)	4
Dividends received from subsidiaries	93,077	62,208
Dividends paid	(26,897)	(23,200)
Change in other financial assets	390	22
Reimbursement (Disbursement) of loans from (to) subsidiaries	17,284	5,044
Net cash generated (used)	*14,203*	*(47,604)*
Net financial position at end of year	**(342,011)**	**(358,991)**

The net financial position breaks down as follows:

	31/12/2020 (€/000)	31/12/2019 (€/000)	01/01/2019 (€/000)
Cash and cash equivalents	136,677	95,371	12,897
Bank payables	(207)	(388)	(487)
Interest-bearing financial payables (current portion)	(143,390)	(150,841)	(129,834)
Interest-bearing financial payables (non-current portion)	(335,091)	(303,133)	(189,114)
Total	**(342,011)**	**(358,991)**	**(306,538)**

At 31 December 2020 all the loan covenants had been amply complied with.

5 Relations with subsidiaries

The Company also operates through subsidiaries with which it maintains commercial and financial relations. These relations are detailed in the table below (amounts expressed in €/000):

	Trade receivables		Revenues	
	31/12/2020	31/12/2019	2020	2019
Subsidiaries:				
GP Companies Inc.	2,176	3,127	19,417	19,866
NLB Corporation Inc.	170	313	1,969	3,231
Interpump Hydraulics India Ltd	532	841	862	1,112
General Pump China Inc.	530	261	667	442
IMM Hydraulics S.p.A.	125	164	268	398
Inoxpa Ltd	37	48	193	256
Muncie Power Inc.	82	98	182	371
Hammelmann GmbH	-	11	167	82
Inoxpa S.A.	16	14	136	143
Interpump Hydraulics S.p.A.	29	98	86	141
Hammelmann S. L.	33	12	84	64
Hammelmann Bombas e Sistemas Ltda	62	38	84	150
Inoxihp S.r.l.	14	57	80	86
GS-Hydro UK Ltd	19	44	77	96
Inoxpa Colombia Sas	1	18	72	118
AVI S.r.l.	12	41	53	79
GS-Hydro S.A.U	151	208	53	90
GS-Hydro Korea Ltd	18	9	40	36
Improved Solutions Unipessoal Ltda	-	-	37	2
GS-Hydro Piping Systems Co. Ltd	9	19	37	41
GS-Hydro Austria GmbH	9	11	37	49
Interpump Hydraulics Middle East FZE	14	12	32	21
GS-Hydro Sp Z O O	7	8	28	29
GS-Hydro Benelux B.V.	6	5	25	17
Inoxpa South Africa	11	18	23	39
Interpump Hydraulics Brasil	20	47	20	47
GS-Hydro Denmark AS	8	4	19	15
Inoxpa Solutions France Sas	7	-	16	7

	Trade receivables		Revenues	
	31/12/2020	31/12/2019	2020	2019
Subsidiaries:				
Interpump Hydraulics France S.a.r.l.	-	-	15	-
Inoxpa Ukraine	-	-	14	-
GS-Hydro U.S. Inc.	30	11	14	20
Hydroven S.r.l.	4	5	13	7
Interpump Piping GS S.r.l.	6	6	10	10
GS-Hydro Ab	2	3	10	12
Unidrò Contarini Sarl	2	1	8	6
Walvoil S.p.A.	21	20	7	7
GS-Hydro do Brasil Sistemas Hidraulicos Ltda	18	5	6	5
Inoxpa Australia Proprietary Ltd	-	-	5	-
Inoxpa Solutions Moldova	-	14	5	14
SIT S.p.A.	-	-	4	4
Pioli S.r.l.	1	-	4	1
GS-Hydro Singapore Pte Ltd	1	1	4	2
Tubiflex S.p.A.	1	1	3	3
Interpump South Africa Pty Ltd	-	-	2	-
Interpump Hydraulics (UK) Ltd	-	-	2	-
Tekno Tubi S.r.l.	1	1	2	2
GS-Hydro System GmbH	1	-	2	3
Walvoil Fluid Power Korea Llc	-	-	1	6
Mega Pacific Pty Ltd	-	-	1	-
Reggiana Riduttori S.r.l.	6	-	1	-
Transtecno S.r.l.	2	-	1	-
Servizi Industriali S.r.l.	-	-	1	-
Hydra Dyne Technology Inc.	2	2	-	-
Contarini Leopoldo S.r.l.	1	1	-	-
Oleodinamica Panni S.r.l.	2	2	-	-
Mariotti & Pecini S.r.l.	-	29	-	32
Inoxpa Skandinavien A/S	-	-	-	3
Hydrocar Chile S.A.	-	-	-	2
Inoxpa Italia Srl	-	28	-	-
Total	*4,199*	*5,656*	*24,899*	*27,167*

	Trade payables		Costs	
	31/12/2020	31/12/2019	2020	2019
Subsidiaries:				
Interpump Hydraulics S.p.A.	132	69	274	205
SIT S.p.A.	97	102	271	291
IMM Hydraulics S.p.A.	84	222	198	356
GP Companies Inc.	7	-	111	242
Walvoil S.p.A.	19	-	109	48
Pioli S.r.l.	16	22	93	44
Inoxpa S.A.	-	18	73	43
Improved Solutions Unipessoal Ltda	10	-	54	-
General Pump China Inc.	-	-	49	41
Inoxpa Solution Moldova	-	4	44	197
Inoxpa Ltd	-	-	41	25
GS-Hydro UK Ltd	7	12	31	39
Hydroven S.r.l.	2	18	23	65
Hammelmann GmbH	-	-	22	75
Tubiflex S.p.A.	-	-	8	-
Inoxpa Solutions France Sas	-	-	4	-
Inoxihp S.r.l.	4	-	-	-
Interpump Hydraulics India Ltd	-	28	-	-
Total	*378*	*495*	*1,405*	*1,671*

The amount payable by the Company to Interpump Hydraulics S.p.A., €6k (€411k in 2019), relates to its prior membership of the domestic tax group. This option expired in 2016 and was not renewed. The Company also has a payable to Interpump Piping GS S.r.l. of €12k (receivable of €22k in 2019) following membership of the domestic tax group from 2018.

Financial relations are outlined below (amounts shown in €/000):

	Loans granted		Interest income	
	31/12/2020	31/12/2019	2020	2019
Subsidiaries:				
Interpump Hydraulics S.p.A.	62,590	87,590	795	1,045
IMM Hydraulics S.p.A.	35,000	30,500	313	258
Hydra Dyne Technology Inc.	10,000	9,000	191	66
Interpump Piping GS S.r.l.	7,000	7,000	70	76
Tekno Tubi S.r.l.	3,020	3,280	33	35
GS-Hydro UK Ltd	500	500	5	5
Inoxihp S.r.l.	2,109	-	4	-
Unidrò Contarini Sarl	367	-	2	-
Muncie Power Inc.	-	-	-	42
Inoxpa S.A.	-	-	-	7
GS-Hydro Benelux B.V.	-	-	-	1
Total	*120,586*	*137,870*	*1,413*	*1,535*

The intercompany loans outstanding at 31 December 2020 earn interest at 3-month Euribor uplifted by a spread that fluctuated during the year between 80 and 100 basis points, except for the loan to Hydra Dyne Technology Inc., on which a fixed rate of 1.95% is applied, and the loans to Inoxihp S.r.l. ed Unidrò Contarini Sarl, on which a fixed rate of 1.50% is applied. At 31 December 2020, interest receivable amounts to €345k (€671k at 31 December 2019), as analyzed below:

	Interest receivable	
	31/12/2020	31/12/2019
Subsidiaries:		
Interpump Hydraulics S.p.A.	168	518
IMM Hydraulics S.p.A.	85	74
Hydra Dyne Technology Inc.	49	37
Interpump Piping GS S.r.l.	18	18
Teknova S.r.l. (in liquidation)	12	12
Tekno Tubi S.r.l.	8	9
Inoxihp S.r.l.	4	-
GS-Hydro UK	1	3
Total	345	671

The following dividends have been credited to the income statement (amounts expressed in €/000):

	Dividends receivable		Dividends	
	31/12/2020	31/12/2019	2020	2019
Subsidiaries:				
Hammelmann GmbH	3,500	3,000	30,000	15,000
Walvoil S.p.A.	-	-	19,500	13,000
Reggiana Riduttori S.r.l.	-	-	15,000	-
NLB Corporation Inc.	-	-	6,841	8,020
GP Companies Inc.	-	-	6,046	5,401
Inoxpa S.A.	-	5,000	5,000	5,000
Tubiflex S.p.A.	-	-	4,000	2,001
Transtecno S.r.l.	-	-	1,200	-
Inoxihp S.r.l.	-	-	791	791
Pioli S.r.l.	-	-	300	-
Walvoil Fluid Power Pvt Ltd.	-	-	2	-
Mariotti & Pecini S.r.l.	-	-	-	960
Total	3,500	8,000	88,680	50,173

6 Transactions with related parties

In accordance with IFRS 16, the financial statements report interest-bearing financial payables of €3,906k (€4,514k at 31 December 2019) and financial charges due to discounting the rentals payable to related parties of €56k (€64k at 31 December 2019). Other costs totaling €16k (€15k in 2019) have also been charged to the income statement.

The above transactions were carried out on arm's-length conditions.

7 Exposure to risks and uncertainties and Financial risk factors

The Company is exposed to the normal risks and uncertainties of any business activity. The markets in which the Company operates are world niche markets of moderate size and with few competitors. These market characteristics constitute a high barrier to the entry of new competitors, due to significant economy of scale effects against the backdrop of uncertain economic returns for potential new entrants. The Company retains world leadership positions that mitigate the risks and uncertainties of the business activity.

The business of the Company is exposed to various financial risks: market risk (including the exchange rate risk and interest rate risk), credit risk and liquidity risk. The financial risks management program is based on the unpredictability of financial markets and it is aimed at minimizing any negative impact on the Company's financial performance. Interpump Group S.p.A. can use derivative financial instruments to hedge against exchange and interest rate risks. The Company does not hold derivative financial instruments of a speculative nature, in compliance with the rulings established by the procedure approved by the Board of Directors.

(a) Market risks

(i) Exchange rate risk

The Company does business internationally and is exposed to the exchange risk related to business conducted in US dollars. In this context, the Company invoices its US subsidiaries and a major US customer in dollars. The Company's current policy is to refrain from hedging recurring transactions and instead to hedge only exposures that are non-recurring in terms of amount or frequency of occurrence.

(ii) Interest rate risk

Interest rate risk derives from medium/long-term loans granted at floating rates. It is currently Company policy not to arrange hedges, in view of the short average duration of the existing loans (around 3.5 years).

(b) Credit risk

The Company does not have any significant concentrations of receivables. It is Company policy to make sales to customers following a careful assessment of their credit rating and therefore within preset credit limits. Historically, the Company has not had to support any significant losses on receivables.

(c) Liquidity risk

Prudent management of liquidity risk involves the retention of an appropriate level of cash on hand and sufficient access to lines of credit. Because of the dynamic nature of the business, which includes frequent acquisitions, it is Company policy to have access to stand-by lines of credit that can be utilized at short notice.

(d) Price and cash flow risk

The Company is subject to constant changes in metal prices, especially brass, aluminum, copper and steel. It is Company policy to hedge this risk where possible by way of medium-term commitments with suppliers or stockpiling policies when prices are at the low point of their cycle.

The income and cash flow from the Company's operating activities are not influenced much by changes in interest generating assets.

8 Environment, health and safety

The Company is engaged exclusively in mechanical engineering and components assembly activities that are not accompanied by the emission of pollutants into the environment. The production process is performed in compliance with statutory legislation. The Company is exposed to risks associated with occupational health and safety and the environment, typical of a company that performs manufacturing and sales activities in different geographical contexts.
In relation to occupational health and safety and the environment the Company applies international standards ISO 9001, ISO 14001 and OHSAS 18001.
Pursuant to art. 5, para. 3.b), of Decree 254/2016, the Company has prepared a consolidated non-financial statement, which is provided as a separate document with respect to this Annual Financial Report. The consolidated non-financial statement, prepared in compliance with GRI Standards and subjected to limited examination by EY S.p.A., is available on the Company's website.

9 Further information

Six projects were completed in 2020, of which 3 related to new pump versions and to mechanical components for high and very high pressure pumps for the food processing and pharmaceuticals industries; in addition, work commenced on 4 new projects. It is Company policy to continue to invest heavily in research and development in future years in order to add further impetus to organic growth. Product development costs totaling €568k were capitalized in 2020, since they will benefit future years, while an amount of €297k was charged to the income statement.

At 31 December 2020 the Company held 2,222,356 shares, representing 2.04% of capital, acquired at an average unit cost of EUR 28.1408.

With regard to stock option plans and the shares in the Company and in subsidiaries held by directors, statutory auditors and general managers, you are invited to consult the "Board of Directors' Report", which is attached to the Consolidated Annual Financial Report.

The Company is not subject to management and coordination activities; Gruppo IPG Holding S.r.l., with registered office in Milan, is the company that prepares the consolidated financial statements that include data of Interpump Group S.p.A. and its subsidiaries. The consolidated financial statements are available from the Milan business register.

10 Events occurring after the end of the year and business outlook

Considering the short time since 31 December 2020, and in the light of the short period of time historically covered by the order portfolio, we do not yet have enough information to make a reliable forecast of expected trends in the current year. No other events worthy of mention in this report have taken place, and the activities of the Company's have proceeded smoothly.

11 Proposal to the Shareholders' Meeting

The profit for the year was EUR 101,802,204. We propose:

- allocation of the net profit for the year to the Extraordinary Reserve, since the legal reserve has already reached the limit of one-fifth of the subscribed and fully paid up share capital;
- partial distribution of the Extraordinary Reserve by declaring a dividend of EUR 0.26 for each share in circulation including the right as per art. 2357-(3) subsection 2 of the Italian Civil Code.

It should be noted that, for tax purposes, the provisions of the Ministerial Decree dated 26 April 2017 will be applied, since the entire dividend of EUR 0.26 per share is taxable in the hands of the recipient and is considered to have been drawn from profit reserves accumulated subsequent to the tax year in progress at 31 December 2007 and up to that in progress at 31 December 2016.

Sant'Ilario d'Enza (RE), 19 March 2021

For the Board of Directors

Fulvio Montipò

Chairman and Chief Executive Officer

Separate financial statements at 31 December 2020 of the Parent Company Interpump Group S.p.A.

INTERPUMP GROUP S.p.A.
Registered Office: S. Ilario d'Enza (RE)
Via E. Fermi 25
Share Capital: € 56,617,232.88
Reggio Emilia Court - Company Register no. 117217
Tax code 11666900151
VAT number 01682900350

Statement of financial position

Euro	*Notes*	*31/12/2020*	*31/12/2019*
ASSETS			
Current assets			
Cash and cash equivalents	3	136,676,885	95,370,519
Trade receivables	4, 19	15,974,664	16,135,010
Dividends receivable		3,500,000	8,000,000
Inventories	5	22,944,737	23,810,452
Tax receivables		2,520,041	1,692,016
Current financial assets	11, 19	37,815,092	30,260,000
Other current assets	6, 19	459,356	460,581
Total current assets		**219,890,775**	**175,728,578**
Non-current assets			
Property, plant and equipment	7	35,676,788	34,998,202
Goodwill	8	44,536,997	34,112,024
Other intangible assets	9	3,171,422	3,403,808
Investments in subsidiaries	10	632,902,110	600,465,478
Other financial assets	11, 19	82,770,715	107,623,536
Tax receivables		131,425	1,046,267
Deferred tax assets	12	13,228,610	1,699,668
Other non-current assets		17,492	11,433
Total non-current assets		**812,435,559**	**783,360,416**
Total assets		***1,032,326,334***	***959,088,994***

Euro	***Notes***	***31/12/2020***	***31/12/2019***
LIABILITIES			
Current liabilities			
Trade payables	4, 19	14,976,085	16,234,015
Bank payables		207,178	387,831
Interest-bearing financial payables (current portion)	13, 19	143,390,053	150,840,754
Tax payables		738,668	640,632
Other current liabilities	14	9,043,578	23,906,457
Accrued expenses and deferred income	14	126,784	-
Total current liabilities		**168,482,346**	**192,009,689**
Non-current liabilities			
Interest-bearing financial payables	13, 19	335,090,977	303,133,551
Liabilities for employee benefits	16	5,249,658	5,215,725
Tax payables		682,241	-
Deferred tax liabilities	12	657,168	764,240
Provisions for risks and charges	15	7,520,893	65,981
Total non-current liabilities		**349,200,937**	**309,179,497**
Total liabilities		**517,683,283**	**501,189,186**
SHAREHOLDERS' EQUITY			
Share capital	17	55,461,608	55,460,369
Legal reserve	18	11,323,447	11,323,447
Share premium reserve	17	78,475,076	96,512,347
Reserve from remeasurement of defined benefit plans		(2,457,813)	(2,334,070)
Other reserves	18	371,840,733	296,937,715
Total shareholders' equity		**514,643,051**	**457,899,808**
Total shareholders' equity and liabilities		***1,032,326,334***	***959,088,994***

Income statement

Euro	*Notes*	*2020*	*2019*
Net sales	21	**100,518,164**	**98,909,524**
Cost of sales	23	(62,688,846)	(60,942,577)
Gross industrial margin		**37,829,318**	**37,966,947**
Other net revenues	22	1,839,499	2,097,069
Distribution costs	23	(6,041,147)	(6,322,029)
General and administrative expenses	23	(25,857,877)	(18,414,012)
Impairment losses on assets	9, 10	(122,713)	(17,312)
Other operating costs	23	(329,838)	(133,457)
Dividends		88,679,298	50,173,049
Ordinary profit before financial charges		**95,996,540**	**65,350,255**
Financial income	24	1,690,984	1,903,564
Financial charges	24	(2,760,366)	(2,046,051)
Profit for the year before taxes		**94,927,158**	**65,207,768**
Income taxes	25	6,875,046	(5,056,357)
Net profit for the year		**101,802,204**	**60,151,411**
Basic earnings per share	26	0.950	0.570
Diluted earnings per share	26	0.947	0.565

Comprehensive income statements

(€/000)	*2020*	*2019*
Net profit (A)	**101,802**	**60,151**
Other profit (loss) that will not be subsequently reclassified to the income statement		
Profit (Loss) deriving from the restatement of defined benefit plans	*(109)*	*(425)*
Related taxes	*26*	*102*
Total other comprehensive profit (loss) that will not be Subsequently reclassified to the income statement, net of tax effect (B)	**(83)**	**(323)**
Comprehensive net profit (A) + (B)	**101,719**	**59,828**

Cash flow statement

(€/000)	2020	2019
Cash flow from operating activities		
Pretax profit	94,927	65,207
Profit before taxes earned by Ricci Engineering prior to absorption	-	(114)
Profit before taxes earned by Mariotti & Pecini prior to absorption	(1,123)	-
Adjustments for non-cash items:		
Capital gains from the sale of fixed assets	(2)	(20)
Amortization, depreciation and write-downs of tangible and intangible fixed assets	5,558	4,892
Costs recognized in the income statement related to stock options that do not involve monetary outflows for the Company	1,775	2,325
Impairment losses (writebacks) on assets	4	6
Net change in risk funds and allocations to provisions for employee benefits	6,980	(228)
Dividends ascribed in the income statement	(88,679)	(50,173)
Net financial charges	1,070	142
	20,510	22,037
(Increase) decrease in trade receivables and other current assets	238	1,215
(Increase) decrease in inventories	1,370	172
Increase (decrease) in trade payables and other current liabilities	1,618	(733)
Taxes paid	(3,960)	(6,455)
Interest paid	(2,131)	(2,020)
Currency exchange gains	(369)	230
Net cash from operating activities	**17,276**	**14,446**
Cash flows from investing activities		
Outlay for the acquisition of equity investments net of treasury stock assigned	(47,179)	(26,237)
Outlays for purchase of treasury shares	(48,487)	(78,993)
Proceeds from sales of treasury shares for stock options	14,480	3,823
Capital expenditure on property, plant and equipment	(6,750)	(4,784)
Proceeds from the sale of tangible fixed assets	24	25
Increase in intangible assets	(564)	(1,040)
Received financial income	1,838	1,306
Other	377	11
Net liquidity generated (used) by investing activities	**(86,261)**	**(105,889)**

(€/000)	2020	2019
Cash flows from financing activities		
Dividends received from subsidiaries	93,077	62,208
Dividends paid	(26,897)	(23,200)
(Disbursal) Repayment of intercompany loans	17,284	5,044
Disbursals (repayments) of loans	25,068	130,137
Change in other financial assets	13	11
Payment of finance leasing installments (principal portion)	(867)	(736)
Net liquidity generated (used by) financing activities	**107,678**	**173,464**
Net increase (decrease) of cash and cash equivalents	**38,693**	**82,021**
Opening cash and cash equivalents of merged companies	**2,794**	**552**
Cash and cash equivalents at beginning of year	**94,983**	**12,410**
Cash and cash equivalents at end of year	**136,470**	**94,983**

For reconciliation of cash and cash equivalents refer to Note 27.

Statement of changes in shareholders' equity

	Share capital	*Legal reserve*	*Share premium reserve*	*Reserve from remeasurement of defined benefit plans*	*Other reserves*	*Total shareholders' equity*
Balances at 1 January 2019	*54,842*	*11,323*	*70,391*	*(2,011)*	*260,605*	*395,150*
Distribution of the dividend	-	-	-	-	(23,200)	*(23,200)*
Recognition in the income statement of the fair value of stock options granted to and exercisable by employees of Interpump Group S.p.A.	-	-	2,325	-	-	*2,325*
Fair value measurement of the stock options granted to and exercisable by employees of subsidiaries	-	-	260	-	-	*260*
Purchase of treasury shares	(1,529)	-	(78,993)	-	1,529	*(78,993)*
Sale of treasury shares to the beneficiaries of stock options	171	-	3,823	-	(171)	*3,823*
Sale of treasury shares for the acquisition of equity investments	1,976	-	98,707	-	(1,976)	*98,707*
Comprehensive net profit for the year	-	-	-	(323)	60,151	*59,828*
Balances at 31 December 2019	*55,460*	*11,323*	*96,513*	*(2,334)*	*296,938*	*457,900*
Distribution of the dividend	-	-	-	-	(26,897)	*(26,897)*
Recognition in the income statement of the fair value of stock options granted to and exercisable by employees of Interpump Group S.p.A.	-	-	1,775	-	-	*1,775*
Fair value measurement of the stock options granted to and exercisable by employees of subsidiaries	-	-	144	-	-	*144*
Effect of absorbing Mariotti & Pecini S.r.l.	-	-	-	(41)	-	*(41)*
Purchase of treasury shares	(837)	-	(48,487)	-	837	*(48,487)*
Sale of treasury shares to the beneficiaries of stock options	585	-	14,480	-	(585)	*14,480*
Sale of treasury shares for the acquisition of equity investments	254	-	14,050	-	(254)	*14,050*
Comprehensive net profit for the year	-	-	-	(83)	101,802	*101,719*
Balances at 31 December 2020	*55,462*	*11,323*	*78,475*	*(2,458)*	*371,841*	*514,643*

Notes to the financial statements of Interpump Group S.p.A.

1. General information

Interpump Group S.p.A. is a company, incorporated under Italian law with registered offices in Sant'Ilario d'Enza (RE), that is listed on the Milan Stock Exchange.

The Company manufactures and markets high and very high pressure plunger pumps, and has direct and indirect controlling interests in 107 companies. Interpump Group S.p.A. has production facilities in Sant'Ilario d'Enza (RE). For information on the Group's operations, refer to the "Board of Directors' Report" attached to the Consolidated Financial Report.

The financial statements at 31 December 2020, prepared on a going concern basis, were approved by the Board of Directors at the meeting held on 19 March 2021.

2. Accounting standards adopted

2.1 Reference accounting standards

The financial statements at 31 December 2020 have been prepared in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union. "IFRS" also means the International Accounting Standards ("IAS") currently in force and all the interpretative documents issued by the IFRS Interpretation Committee, previously denominated International Financial Reporting Interpretations Committee ("IFRIC") and still earlier known as the Standing Interpretations Committee ("SIC").

The statement of financial position and the income statement are presented in euro, while the other schedules and notes are presented in thousands of euro. The financial statements are prepared using the cost method, with the exception of financial instruments, which are measured at fair value.

Preparation of a report in compliance with IFRS (International Financial Reporting Standards) calls for judgments, estimates, and assumptions that effect assets, liabilities, costs and revenues. The final results may differ from the results obtained using estimates of this type. The captions of the financial statements that call for more subjective appraisal by the directors when preparing estimates and for which a change in the conditions underlying the assumptions utilized could have a significant effect on the financial statements are: goodwill, amortization and depreciation of fixed assets, deferred tax assets and liabilities, the allowance for doubtful accounts and the allowance for inventories, provisions for risks and charges, defined benefit plans for employees.

The Company's income statement is prepared by functional areas (or cost of sales), this form being considered more representative than presentation by type of sales, this information being specified in the notes to the financial statements. The chosen form, in fact, complies with the internal reporting and business management methods. For a comprehensive analysis of the Group's economic results, see the "Board of Director's Report" attached to the Consolidated Annual Financial Report.

The cash flow statement was prepared using the indirect method.

2.1.1 Accounting standards, amendments and interpretations in force from 1 January 2020 and adopted by the Company

As from 2020 the Company has applied the following new accounting standards, amendments and interpretations, reviewed by IASB:

- *Amendments to IFRS 3 - "Business Combinations".* IASB published these amendments on 22 October 2018 in order to help determine if a transaction represents the acquisition of a business or a group of activities that does not satisfy the definition of a business pursuant to IFRS 3. Application of the new amendment did not result in adjustments to the Company's statement of financial position.
- *Amendments to IAS 1 and IAS 8 - "Definition of Material".* IASB published these amendments on 31 October 2018 in order to clarify the definition of "material", with a view to helping companies determine if a disclosure should be made in the financial statements. These amendments had no impact on the financial statements and are not expected to have any effect on the Company in future.
- *Amendments to IFRS 9, IAS 39 and IFRS 7 - "Interest Rate Benchmark Reform".* The IASB published these amendments on 26 September 2019 so that companies can make useful financial disclosures during the period of uncertainty caused by the gradual elimination of certain interest-rate parameters, such as the interbank offered rates (IBORs); they amend certain requirements for the recognition of hedges in order to mitigate potential effects deriving from uncertainties linked to the IBOR reform. The amendments also require companies to make additional disclosures to investors about any hedging relationships that are directly affected by those uncertainties. Application of the new amendment did not result in adjustments to the Company's statement of financial position.
- *Amendments to references to the Conceptual Framework in IFRS Standards.* The IASB published this amendment on 29 March 2018 with the aim of improving both the definitions of "asset" and "liability" and the process for their measurement, elimination and presentation. The document also clarifies a number of important concepts, such as identification of the recipients of financial statements and the objectives they seek to achieve, and discusses application of the concepts of prudence and uncertainty when evaluating financial disclosures. These amendments had no impact on the financial statements of the Company.
- *Amendment to IFRS 16 Leases "Covid 19 – Related rent concessions".* On 28 May 2020 the IASB published an amendment to clarify the circumstances in which a lessee may, as a practical expedient, determine that specific reductions in installments (as a direct consequence of Covid-19) need not be treated as changes in the payment plan and recognize them accordingly. This amendment became applicable from 1 June 2020, although early adoption was allowed. These amendments had no impact on the financial statements of the Company.

2.1.2 Accounting standards and amendments not yet applicable and not adopted early by the Company

- *IFRS 17 – "Insurance Contracts".* On 18 May 2017, IASB published a new standard to replace IFRS 4, which was issued in 2004. The new standard seeks to improve the understanding of investors and others about the risk exposure, profitability and financial position of insurers. IFRS 17 is applicable from 1 January 2021. Early adoption is however permitted.

- *Amendments to IAS 1 – "Presentation of Financial Statements: Classification of Liabilities as Current or Non-current".* The IASB published this amendment on 23 January 2020 in order to clarify the presentation of liabilities in the statement of financial position. In particular, the amendment clarifies that:
    - the classification of liabilities as current or non-current should be based on the rights existing at the end of the reporting period and, in particular, on the right to defer payment for at least 12 months;
    - classification is not influenced by expectations regarding decisions by the entity to exercise its right to defer the payment of a liability;
    - payment refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

  The new amendment is applicable from 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact of this amendment on the existing situation.

- *Amendments to IAS 16 – "Property, Plant and Equipment: Proceeds before Intended Use*". The IASB published this amendment in May 2020, prohibiting entities from deducting from the cost of an item of property, plant and equipment any proceeds from selling products made while bringing that item to the location or for the time necessary for it to become capable of operating in the manner intended by management. Instead, the entity must recognize the proceeds from selling such items, and the cost of producing them, in profit or loss. The amendment applies to annual periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies that amendment. The Company does not expect these amendments to have a material effect.

- *Amendments to IAS 37 – "Onerous Contracts – Costs of Fulfilling a Contract".* In May 2020, the IASB published amendments to IAS 37 to specify what costs must be considered by an entity when assessing whether a contract is onerous or loss-making. The amendments requires application of the "directly-related cost" approach. Costs that relate directly to a contract for the supply of goods or services include both the incremental fulfillment costs and the costs directly attributable to the contractual activities. General and administrative expenses are not directly attributable to a contract and are excluded, unless they are explicitly rechargeable to the counterparty under the terms of the contract. These amendments are effective for annual periods beginning on or after 1 January 2022. The Company will apply these amendments to those contracts for which it has not yet satisfied all its obligations at the start of the financial year in which they are applied for the first time.

- *Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter".* As part of its annual improvements to IFRS standards 2018-2020, the IFRS has published an amendment to IFRS 1 that permits a subsidiary applying paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the latter's date of transition to IFRSs. This amendment also applies to associates and joint ventures that elect to apply paragraph D16(a) of IFRS 1. This amendment is effective for annual periods beginning on or after 1 January 2022. Early adoption is allowed.

- *Amendment to IFRS 9 "Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities".* As part of its annual improvements to IFRS standards 2018-2020, the IFRS has published an amendment to IFRS 9 that clarifies which fees an entity includes when assessing whether the conditions of a new or amended financial liability are substantially different to those of the original financial liability. These fees only include those paid or received between the borrower and the lender, including fees paid or received by either the entity or the lender on behalf of the other. The entity will apply this amendment to those financial liabilities that are amended or exchanged subsequent to the start of the financial year in which it is applied for the first time. This amendment is effective for annual periods beginning on or after 1 January 2022. Early adoption is allowed. The Company will apply this amendment to those financial liabilities that are amended or exchanged subsequent to or at the start of the financial year in which it is applied for the first time. The Company does not expect this amendment to have a material effect.

2.2 Segment information

Based on the definition provided by standard IFRS 8 an operating segment is a component of an entity:

- that undertakes a business activity that generates costs and revenues;
- the operating results of which are periodically reviewed at the highest decisional/operating level of the entity in order to make decisions concerning the resources to allocate to the segment and the measurement of the results;
- for which separate accounting information is available.

The business sectors in which the Group operates are determined on the basis of the reporting utilized by Group top management to make decisions, and they have been identified as the Water Jetting Sector, which basically includes high and very-high pressure pumps, very high pressure systems, and high pressure homogenizers, mixers, agitators, piston pumps, valves and other machinery, primarily for the food industry but also for the chemicals and cosmetics sectors, and as the Hydraulic Sector, which includes power take-offs, gear pumps, hydraulic cylinders, directional controls, valves, hoses and fittings, gears and other hydraulic components. Interpump Group S.p.A. operates entirely in the Water Jetting Sector so it was not considered necessary to present the associated sector information.
With the aim of providing more comprehensive disclosure, information is provided for the geographical areas in which the Company operates, namely Italy, the Rest of Europe (including non-EU European countries) and the Rest of the World.

2.3 Treatment of foreign currency transactions

The functional and presentation currency adopted by Interpump Group S.p.A. is the euro. Foreign currency transactions are translated to euro using the exchange rates in force on the date of the transaction. Monetary assets and liabilities are translated at the exchange rate in force on the reporting date. Foreign exchange differences arising from the translation are recognized in the income statement. Non-monetary assets and liabilities measured at historical cost are translated at the exchange rates in force on the date of the related transactions. Monetary assets and liabilities stated at fair value are translated to euro at the exchange rate in force on the date in respect of which the relative fair value was determined.

2.4 Non-current assets held for sale and discontinued operations

Non-current assets held for sale and any assets and liabilities pertaining to lines of business or consolidated investments held for sale, are measured at the lower of their book value at the time of classification of said captions as "held for sale", and their fair value, net of the costs of sale. Any impairments recorded in application of said principle are recorded in the income statement, both in the event of write-downs for adaptation to the fair value and also in the case of profits and losses deriving from future changes of the fair value.

Assets and liabilities that satisfy the definition of discontinued operations are classified as discontinued operations at the time of their disposal or when they satisfy the description of assets held for sale, if said requirements existed previously.

2.5 Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured at the historical cost and stated net of accumulated depreciation (see next point *iii*) and impairment losses (see section 2.8). The cost of goods produced internally includes the cost of raw materials, directly related labor costs, and a portion of indirect production costs. The cost of assets, whether purchased externally or produced internally, includes the ancillary costs that are directly attributable and necessary for use of the asset and, when they are significant and in the presence of contractual obligations, the current value of the cost estimated for the dismantling and removal of the related assets.

Financial charges relating to loans utilized for the purchase of tangible fixed assets are recorded in the income statement on an accruals basis if they are not specifically allocated to the purchase or construction of the asset, otherwise they are capitalized.

Assets held for sale are measured at the lower of the fair value net of ancillary charges to the sale and their book value at the time of classification of said captions as held for sale.

(ii) Subsequent costs

The replacement costs of certain parts of assets are capitalized when it is expected that said costs will result in future economic benefits and they can be measured in a reliable manner. All other costs, including maintenance and repair costs, are ascribed to the income statement when they arise.

(iii) Amortization

Depreciation is charged to the income statement on a straight-line basis in relation to the estimated residual useful life of the associated asset. Land is not depreciated. The estimated useful life of assets is as follows:

- Buildings	25 years
- Plant and equipment	12.5 years
- Industrial and commercial equipment	4 years
- Other assets	4-8 years

The estimated useful life of the assets is reviewed on an annual basis, and any changes in the rates of depreciation are applied, where necessary, to future depreciation charges.

For assets purchased and/or that became operational in the year, depreciation is calculated utilizing annual rates reduced by 50%. Historically, this method of calculation has been representative of the effective use of the assets in question.

Any profits/losses emerging on the derecognition of assets, i.e. on disposal (from the date on which the purchaser obtains control over them) or when no further economic benefits are expected from their use or disposal, (being the difference between their carrying amount and the net consideration obtained) are recognized in the income statement at that time.

(iv) Leases

Right-of-use assets are measured at cost and stated net of accumulated depreciation and impairment. They are also adjusted following remeasurement of the related lease liabilities. The cost of right-of-use assets comprises the amount of the lease liabilities recognized, the initial direct costs incurred and the lease payments made at or before the start date, net of any and all incentives received. Right-of-use assets are depreciated on a straight-line basis from the start date until the end of the useful life of the asset, being the end of the usage right (duration of the lease contract).

If the lease contract transfers ownership of the underlying asset to the lessee at the end of the lease period, or if the cost of the right-of-use asset reflects the fact that the lessee will exercise the purchase option, the lessee must depreciate the right-of-use asset from the start date until the end of the useful life of the underlying asset. The corresponding liability to the lessor is classified among the financial payables.

(v) Leasehold improvements

Any leasehold improvements with the same characteristics as fixed assets are capitalized in the asset category to which they relate and depreciated over their useful lives or, if shorter, over the residual life of the lease.

2.6 Goodwill

Goodwill is represented by the merger deficit portions paid for this reason and arising from the merger operations.

Goodwill is recorded at cost, net of impairment losses. Goodwill is allocated to a single cash generating unit and is no longer amortized as from 1 January 2004. The book value is measured in order to assess the absence of impairment (see section 2.8).

2.7 Other intangible assets

(i) Research and development costs

Research costs for the acquisition of new technical know-how are ascribed to the income statement when they arise.

Development costs relating to the creation of new products/accessories or new production processes are capitalized if the Company can prove:

- the technical feasibility and intention of completing the intangible asset in such a way that it is available for use or for sale;
- its ability to use or sell the asset;
- the forecast volumes and realization values indicate that the costs incurred for development activities will generate future economic benefits;
- those costs are measurable in a reliable manner;
- and the resources exist to complete the development project.

The capitalized costs relate to development projects that meet the requirements for deferral. Capitalized development costs are valued at cost, net of accumulated amortization, (see next point *v*) and impairment (see section 2.8).

(ii) Loan ancillary costs

Loan ancillary costs are deducted from the nominal amount of the loan and treated as outlined in section 2.15.

(iii) Other intangible assets

Other intangible assets, all having a defined useful life, are measured at cost and recorded net of accumulated amortization (see next point *v*) and impairment (see section 2.8).

Software licenses are amortized over their period of utilization (5 years).

The costs incurred internally for the creation of trademarks or goodwill are recognized in the income statement when they are incurred.

(iv) Subsequent costs

Costs incurred subsequently relative to intangible fixed assets are capitalized only if they increase the future economic benefits of the specific capitalized asset, otherwise they are entered in the income statement when they are sustained.

(v) Amortization

Amortization amounts are recorded in the income statement on a straight-line basis in accordance with the estimated useful life of the capitalized assets to which they refer. The estimated useful life of assets is as follows:

- Patents and trademarks	3 years
- Development costs	5 years
- Software licenses	5 years

The estimated useful life is reviewed on an annual basis and any changes in the rates are made, where necessary, for future amounts.

2.8 Impairment of assets

The book values of assets, with the exception of inventories (see section 2.13), financial assets regulated by IFRS 9, deferred tax assets (see section 2.17), and non-current assets held for sale regulated by IFRS 5, are subject to measurement at the reporting date in order to identify the existence of possible indicators of impairment. If the valuation process identifies the presence of such indicators, the presumed recoverable value of the asset is calculated using the methods indicated in the following point (*i*).

The presumed recovery value of goodwill and intangible assets that have not yet been used is estimated at intervals of no longer than once a year or more frequently if specific events occur that point to the possible existence of impairment. If the estimated recoverable value of the asset or its cash generating unit is lower than its net book value, the asset to which it refers is consequently adjusted for impairment loss with entry into the income statement.

Goodwill is systematically measured (impairment test)at least once a year or more as prescribed by IAS 36.

(i) Calculation of estimated recoverable value

The estimated recoverable value of other assets is equal to their fair value less selling costs or, if greater, their value in use. The value in use is equivalent to the projected future cash flows, discounted to a rate, including taxes, that takes account of the market value of interest rates and the specific risks of the asset to which the presumed realization value refers. For assets that do not give rise to independent cash flows the presumed realization value is determined with reference to the cash generating unit to which the asset belongs.

(ii) Reinstatement of impairment losses

An impairment relative to other assets is reinstated if a change has occurred in the estimate used to determine the presumed recovery value.

Impairment is reinstated to the extent of the corresponding book value that would have been determined, net of depreciation/amortization, had no impairment loss ever been recognized.

Impairment related to goodwill can never be reinstated.

2.9 Equity investments

Investments in subsidiaries and associates are measured at cost.

Should any impairment of value arise at the reporting date in comparison to the value determined according to the above method, the investment in question will be written down.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank and post office deposits, and securities having original maturity date of less than three months. Current account overdrafts and advances with recourse are deducted from cash only for the purposes of the cash-flow statement.

2.11 Financial assets (Trade receivables, Other financial assets and Other assets)

Depending on the circumstances, financial assets are measured as follows at the time of initial recognition: amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVPL). Again at the time of initial recognition, financial assets are classified with reference to the characteristics of the related contractual cash flows and the business model used by the Company for their management. With the exclusion of trade receivables that do not contain a significant financing component, the Company initially measures financial assets at their fair value, including transaction costs in the case of those not measured at fair value through profit and loss. Trade receivables that do not have a significant financial component are measured at their transaction price, as defined in accordance with IFRS 15.

Financial assets are measured at amortized cost if the objective of the underlying business model is to hold them for the purpose of collecting cash flows (Hold to Collect - HTC), and the related contractual terms envisage the receipt of cash flows on predetermined dates that comprise solely payments of principal and interest (SPPI) on the outstanding principal. Financial assets measured at amortized cost are subsequently measured using the effective interest method and are subject to impairment adjustments. Profits and losses are recognized in the income statement when assets are derecognized, modified or remeasured.

Financial assets are measured at fair value through other comprehensive income (FVOCI) if the objective of the underlying business model is satisfied by the collection of contractual cash flows or by the sale of the financial assets (Hold to Collect and Sell - HTCS), and the related contractual terms envisage the receipt of cash flows on predetermined dates that comprise solely payments of principal and interest (SPPI) on the outstanding principal. For assets represented by debt instruments measured at fair value though other comprehensive income (OCI), the related interest income, exchange differences and impairment losses and writebacks are measured with reference to the amortized cost method and recognized in the income statement. The remaining changes in fair value are recognized in OCI. Upon derecognition, the cumulative change in fair value recognized in OCI is reclassified to the income statement. Upon initial recognition, the Company may irrevocably elect to classify its equity investments as capital instruments recognized at fair value through other comprehensive income (FVOCI), in view of the strategic nature of the investments concerned. Such classification is determined individually for each instrument. The profits and losses deriving from these financial assets are never reclassified to the income statement. Capital instruments measured at FVOCI are not subjected to impairment testing.

If an asset is not measured in one of the above two ways, it must be measured at fair value through profit and loss (FVPL). This category therefore comprises both assets held for trading and assets designated on initial recognition as financial assets measured at fair value through profit and loss, as well as the financial assets that must be measured at fair value.

In compliance with IFRS 9, commencing from 1 January 2018, the Company has adopted a new impairment model for financial assets measured at amortized cost or at fair value through other comprehensive income (FVOCI), except for capital instruments and assets deriving from contracts with customers. This new model is based on determining the expected credit loss (ECL), which replaced the incurred loss model previously envisaged in IAS 39.

The new standard envisages adoption of the following methodologies: the General deterioration method and the Simplified approach. The General deterioration method requires financial instruments to be classified in three stages, depending on the extent of the deterioration in the credit quality between the date of initial recognition and the measurement date:

- *Stage 1*: for assets that have not suffered a significant increase in credit risk since the moment of initial recognition or that have a low credit risk at the reference date, a provision must be recorded that reflects the 12-month ECL, by estimating the expected loss with reference to the default events considered possible over the following 12 months;
- *Stages 2 and 3*: for assets that, on the other hand, have suffered a significant increase in credit risk, the Company must record a provision equal to the loss expected over their entire residual lives, having regard for the possible probabilities of default that might emerge over the entire life of the instrument (Lifetime ECL).

For trade receivables, contract assets and amounts due under leasing contract, the "simplified approach" envisages that the loss must be recognized using a lifetime approach and, accordingly, "stage allocation" is not required. The standard establishes that the loss rates may be estimated by classes of customer that have the same loss paths. The standard does not define specific criteria for the segmentation of customers, leaving entities free to select the sampling subsets in a manner that ensures consistency with historical experience. Accordingly, depending on their customer base, each entity must create a provision matrix by grouping its customers into clusters considering a number of different factors and variables, such as geographical area, product category and credit rating. Expected losses are generally determined by multiplying: (i) the exposure to the counterpart, net of related guarantees (known as Exposure At Default, EAD); (ii) the probability that the counterpart will not meet its payment obligation (known as Probability of Default, PD); (iii) the estimate, in percentage terms, of the amount of the receivable that will be recovered upon default (known as Loss Given Default, LGD).

Within the simplified model, an analytical approach has been applied in relation to trade receivables deemed by management to be individually significant, and for which more detailed information is available about the significant increase in credit risk.

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognized (i.e. removed from the statement of financial position) when:

- the right to receive cash flows deriving from the asset has expired, or
- the Company has transferred the right to receive cash flows deriving from the asset to a third party, or has accepted a contractual obligation to pay them over in full and without

delay and (a) has transferred substantially all the risks and benefits of ownership of the financial asset, or (b) has not transferred or retained substantially all the risks and benefits of ownership of the financial asset, but has transferred control over it.

The profit (loss) on a financial asset that is measured at amortized cost and is not included in a hedging relationship must be recognized in profit (loss) in the year in which it is derecognized or reclassified, or via the amortization process or to recognize the gains or loss on impairment adjustments.

2.12 Derivative financial instruments

It is Company policy to avoid speculative derivative financial instruments; however, when derivative financial instruments fail to meet all the requirements for hedge accounting, any changes in their fair value are recognized in the income statement as financial charges and/or income. Derivative financial instruments are brought to account using hedge accounting methods when:

- formal designation and documentation of the hedge relation is present at the start of the hedge;
- the hedge is expected to be highly effective;
- effectiveness can be reliably measured and the hedge is highly effective during the periods of designation.

The method used to recognize derivative financial instruments depends on whether or not the conditions and requirements of IFRS 9 are fulfilled. Specifically, it clarifies that:

(i) Cash flow hedges

In the case of a derivative financial instrument for which formal documentation is provided of the hedging relation of the variations in cash flows originating from an asset or liability of a future transaction (underlying hedged variable), considered to be highly probable and that could impact on the income statement, the effective hedge portion deriving from the adaptation of the derivative financial instrument to fair value is recognized directly in equity. When the underlying hedged item is delivered or settled, the relative provision is derecognized from equity and attributed at the recording value of the underlying element. The ineffective portion, if present, of the change in value of the hedging instrument is immediately ascribed to the income statement under financial expenses and/or income. When a hedging financial instrument expires, is sold, terminated, or exercised, or the company changes the relationship with the underlying variable, and the forecast transaction has not yet occurred although it is still considered likely, the relative gains or losses deriving from adjustment of the financial instrument to fair value are still retained in equity and are recognized in the income statement when the transaction takes place in accordance with the situation described above. If the forecast transaction related to the underlying risk is no longer expected to occur, the relative gains or losses of the derivative contract, originally deferred in equity, must be taken to the income statement immediately.

(ii) Hedges of monetary assets and liabilities (Fair value hedges)

When a derivative financial instrument is used to hedge changes in value of a monetary asset or liability already recorded in the financial statements that can impact on the income statement, the gains and losses relative to the changes in the fair value of the derivative instrument are taken to the income statement immediately. Likewise, the gains and losses relative to the hedged item modify the book value of said item and are recognized in the income statement.

2.13 Inventories

Inventories are measured at the lower of purchase cost or their estimated realizable value. The cost is determined with the criterion of the average weighted cost and it includes all the costs incurred to purchase the materials and transform them at the conditions in force on the reporting date. The cost of semi-finished goods and finished products includes a portion of indirect costs determined on the basis of normal production capacity. Write down provisions are calculated for materials, semi-finished goods and finished products considered to be obsolete or slow moving, taking account of their expected future usefulness and their realization value. The net realization value is estimated taking account of the market price during the course of normal business activities, from which the costs of completion and costs of sale are subsequently deducted.

2.14 Share capital and Treasury shares

In the case of purchase of treasury shares, the price paid, inclusive of any directly attributable ancillary costs, is deducted from share capital for the portion concerning the nominal value of shares and from shareholders' equity for the surplus portion. When treasury shares are sold or reissued, the price collected, net of any directly attributable ancillary charges and the associated tax effect, is recorded as share capital for the portion concerning the nominal value of shares and as shareholders' equity for the surplus.

2.15 Financial liabilities (Trade payables, Bank payables, Interest-bearing financial payables and Other liabilities)

On initial recognition, financial liabilities are measured at fair value through profit and loss and classified either as loans or as derivatives designated as hedging instruments. All financial liabilities are initially recognized at fair value, including directly-attributable transaction costs in the case of loans and payables. Following initial recognition, loans are measured at amortized cost using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated collections over the expected life of the financial instrument or the future payments to the gross carrying amount of the financial asset or the amortized cost of the financial liability. Profits and losses are recognized in the income statement when liabilities are settled, as well as via the amortization process. Amortization using the effective interest rate is classified among financial expenses in the income statement.

A financial liability is derecognized when the underlying obligation expires or when the obligation specified in the contract is settled, canceled or expires.

Trade payables and other debts, the relative due date of which is within normal commercial terms, are not discounted to present value and are entered at the amortized cost representative of their discharge value.

Current financial liabilities include the short-term portions of the interest-bearing financial payables, bank and lease payables and other financial liabilities.

2.16 Liabilities for employee benefits

(i) Defined contribution plans

The Company participates in defined pension plans with public administration or private plans on a compulsory, contractual or voluntary basis. The payment of contributions fulfills the Company's obligations towards its employees. The contributions therefore constitute costs of the period in which they are due.

(ii) Defined benefit plans

Defined benefit plans for employees - disbursed at the time of termination of the period of employment with the Company or thereafter - that include severance indemnity, are calculated separately for each plan, estimating the amount of the future benefit that the employees have accrued during the year and in previous years by means of actuarial techniques. The resulting benefit is discounted to present value and recorded net of the fair value of any relative assets. The discount rate at the reporting date is calculated as required by IAS 19 with reference to the market yields of high quality corporate bonds. Only the securities of corporate issuers with an "AA" rating are considered, on the assumption that this class identifies a high rating level in the context of "Investment Grade" securities, with the exclusion, therefore, of higher risk securities. Considering that IAS 19 makes no explicit reference to a specific product sector, we opted for a composite market curve that summarizes the market conditions existing at the date of valuation of the securities issued by companies operating in various sectors including utilities, telecommunications, finance, banking and industrial. At 31 December 2020, analysis of the above rate curve for "AA" securities used for actuarial valuation purposes indicates a sharp reduction in expected yields (negative for the eighth year), with respect to that at 31 December 2019 used for the previous actuarial valuation. The reduction in the yield curve reflects the major tensions that marked the year just ended and which continue to influence the financial markets. The spread of the Covid-19 pandemic has had a significant impact on all financial markets, causing sharp mark-downs and liquidity reductions, even for such low risk assets as investment grade corporate bonds. The healthcare emergency, with all its consequences, has significantly curtailed the outlook for business profitability and, at a more detailed level, the firms active in the transport, finance, general services and real estate sectors have been worst hit. Although corporate bonds have benefited from the repurchase programs activated by central banks and the European Recovery Fund, and broad monetary and fiscal support has reduced defaults in the short term, the decline in revenues has markedly increased the percentage of issuers in difficulty and raised the default risk. As a result, the rating agencies have downgraded many companies. In Italy, the decline in creditworthiness was most evident in the transport sector, while downgrades in other Euro area countries have included automobile manufacturers. Despite the improvement in yields during 2020, the forecasts all point to heavy reductions with negative yields in the coming years. The defined benefit obligation is calculated on an annual basis by an independent actuary using the projected unit credit method.

If the plan benefits increase, the prior-service portion of the increase is charged to the income statement on a straight-line basis over the period in which the related rights will be acquired. If the rights are acquired immediately, the increase is recognized immediately in the income statement.

Actuarial profits and losses are recognized in a specific equity reserve on an accrual basis.

Until 31 December 2006 the severance indemnity provision (TFR) of Italian companies was considered to be a defined benefits plan. The rules governing the provision were amended by Law no. 296 of 27 December 2006 ("2007 Finance Act") and by subsequent Decrees and Regulations enacted in the initial months of 2007. In the light of these changes, and in particular with reference to companies with at least 50 employees, as is the case of Interpump Group S.p.A., the TFR severance indemnity provision should now be classified as a defined benefits plan exclusively for the portions accrued prior to 1 January 2007 (and not yet paid out at the date of the financial statements), while after that date TFR should be considered as a defined contributions plan.

(iii) *Stock options*

On the basis of the stock option plan currently in existence, certain employees and directors are entitled to purchase the treasury shares of Interpump Group S.p.A. The options are measured at fair value, this being booked to the income statement as an addition to the cost of personnel and directors, with a matching entry in the share premium reserve. The fair value is measured at the grant date of the option and recorded in the income statement in the period that runs between said date and the date on which the options become exercisable (vesting period). The fair value of the option is determined using the applicable options measurement method (specifically, the binomial lattice model), taking account the terms and conditions at which the options were granted.

The remuneration component deriving from stock option plans with Interpump Group S.p.A. shares as the underlying, in accordance with the matters envisaged by interpretation IFRIC 11, is recognized as a capital grant disbursed to subsidiaries wherein the beneficiaries of the stock option plans are employees and consequently recorded as an increase of the relative value of the shareholdings, with a matching entry recorded directly in equity.

2.17 Income taxes

Income taxes disclosed in the income statement include current and deferred taxes. Income taxes are generally disclosed in the income statement, except when they refer to types of items that are recorded directly under shareholders' equity. In this case, the income taxes are also recognized directly in equity.

Current taxes are taxes that are expected to be due, calculated by applying to the taxable income the tax rate in force at the reporting date and the adjustments to taxes of prior years.

Deferred taxes are calculated using the liability method on the temporary differences between the amount of assets and liabilities in the financial statements and the corresponding values recognized for tax purposes. Deferred tax liabilities are recognized in relation to all taxable temporary differences, except for:

- the deferred tax liabilities deriving from the initial recognition of goodwill or an asset or liability in a transaction that does not represent a business combination and, at the time of the transaction, does not affect the reported results or taxable income;
- reversals of taxable temporary differences, associated with investments in subsidiaries, associates and joint ventures, that can be controlled and that are unlikely to occur in the foreseeable future.

Deferred tax assets are recognized in relation to all deductible temporary differences, tax credits and unused tax losses carried forward, to the extent that future taxable income is likely to be sufficient to allow the recovery of the deductible temporary differences, tax credits and tax losses carried forward, except for:

- the deferred tax assets linked to deductible temporary differences that derive from the initial recognition of an asset or liability in a transaction that does not represent a business combination and, at the time of the transaction, does not affect the reported results or taxable income;
- the deferred tax assets linked to deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, which are only recognized if they are likely to reverse in the foreseeable future and there will be sufficient taxable income for the recovery of such temporary differences. Deferred taxes are calculated in accordance with the envisaged method of transfer of timing differences, using the tax rate in force at the reference date of years in which the timing differences arose.

Deferred taxes are calculated in accordance with the envisaged method of transfer of timing differences, using the tax rate in force at the reference date of years in which the timing differences arose.

Deferred tax assets are recognized exclusively in the event that it is probable that in future years sufficient taxable incomes will be generated for the realization of said deferred taxes. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that future taxable income is no longer likely to be sufficient to allow the recovery of such assets, in whole or in part. Any unrecognized deferred tax assets are reviewed at each reporting date and recognized to the extent that it has become is probable that future taxable income will be sufficient to allow their recovery.

2.18 Provisions for risks and charges

In cases wherein the Company has a legal or substantial obligation resulting from a past event, and when it is probable that the loss of economic benefits must be sustained in order to fulfill such an obligation, a specific provision for risks and charges is created. If the temporal factor of the envisaged loss of benefits is significant, the amount of the future cash outflows is discounted to present values at a rate, gross of taxes, that takes account of the market interest rates and the specific risk of the liability referred to.

2.19 Revenues

(i) Revenues from the sale of goods and services

Revenues deriving from contracts with customers are recognized on the basis of the following 5 steps: (i) identification of the contract with the customer; (ii) identification of the contractual performance obligations to be transferred to the customer in exchange for the transaction price; (iii) determination of the transaction price; (iv) allocation of the transaction price to the individual performance obligations; (v) recognition of the revenue when the associated performance obligation is fulfilled. Revenues are recognized at the amount of the consideration to which the Company considers it is entitled on satisfaction of the obligation, when the customer acquires control over the goods or services transferred. The Company has identified a single revenue stream from the sale of products and spare parts representing the obligations satisfied at a given point in time. Revenues from the sale of products are recognized when the significant risks and benefits associated with control over the goods are transferred to the purchaser. The change of control coincides with the transfer of ownership or possession of the goods to the purchaser and, therefore, generally occurs on shipment or on completion of the service.

(ii) Dividends

Dividends are recognized in the income statement on the date they became payable, and are classified under ordinary earnings before interest and tax because they are considered to represent the ordinary holding activities performed by the Company.

2.20 Costs

(i) Lease installments

The principal portion of lease installments is deducted from the financial payable, while the interest portion is charged to the income statement.

(ii) Financial income and expenses

Financial income and charges are recorded on an accrual basis in accordance with the interest matured on the net value of the relative financial assets and liabilities, using the effective interest rate. Financial income and charges include foreign exchange gains and losses and the gains and losses on derivative instruments booked to the income statement.

3. Cash and cash equivalents

	31/12/2020 (€/000)	31/12/2019 (€/000)
Cash	12	12
Bank deposits	136,665	95,359
Total	136,677	95,371

Bank deposits include €2,623k held in US dollars ($3,218k).

The Company continued its strategy of maintaining immediately available liquidity also in 2020, relinquishing the very modest yields that can be achieved only by accepting conditions of limited access.

4. Trade receivables

	31/12/2020 (€/000)	31/12/2019 (€/000)
Trade receivables, gross	16,633	16,641
Bad debt provision	(658)	(506)
Trade receivables, net	15,975	16,135

Changes in the bad debt provision were as follows:

	2020 (€/000)	2019 (€/000)
Opening balance	506	446
Provisions in the year	75	70
Merger effect	85	50
Releases in the year to cover losses	(8)	(60)
Closing balance	658	506

Provisions in the year are booked under other operating costs.

Receivables denominated in US dollars total €2,036k ($2,497k). At 31 December 2020 no receivables were hedged against the risk of exchange rate fluctuations.

No trade receivables or payables are due beyond twelve months.

5. Inventories

	31/12/2020 (€/000)	31/12/2019 (€/000)
Raw materials and components	11,902	10,847
Semi-finished products	9,192	10,470
Finished products	1,851	2,493
Total inventories	22,945	23,810

Inventories are net of the depreciation provision that changed as indicated below:

	2020 (€/000)	2019 (€/000)
Opening balance	2,373	2,373
Releases in the year to cover losses	(226)	-
Closing balance	2,147	2,373

6. Other current assets

This item comprises:

	31/12/2020 (€/000)	31/12/2019 (€/000)
Other receivables	228	236
Accrued income and prepayments	231	225
Total	459	461

7. Property, plant and equipment

At 1 January 2019	*Land and buildings* (€/000)	*Plant and machinery* (€/000)	*Equipment* (€/000)	*Other assets* (€/000)	*Total* (€/000)
Cost	11,173	46,688	18,701	3,667	80,229
Accumulated amortization	(4,754)	(28,058)	(16,869)	(3,108)	(52,789)
Allowance for impairment	-	(4)	(146)	-	(150)
Net carrying amount	6,419	18,626	1,686	559	27,290
Changes in 2019					
Opening net carrying amount	6,419	18,626	1,686	559	27,290
Effect on opening balance of right-to-use assets (IFRS 16)	5,126	-	-	125	5,251
Merger effect	-	79	26	26	131
Additions	674	4,255	954	339	6,222
Recognition of right-to-use assets (IFRS 16)	-	-	-	311	311
Disposals	-	(3)	(1)	(1)	(5)
Write-downs	-	-	(12)	-	(12)
Early close-out (IFRS 16)	-	-	-	(4)	(4)
Capitalized amortization	(80)	(7)	(3)	(2)	(92)
Amortization	(748)	(2,336)	(737)	(273)	(4,094)
Closing net carrying amount	11,391	20,614	1,913	1,080	34,998
At 31 December 2019					
Cost	16,973	50,568	19,584	4,377	91,502
Accumulated amortization	(5,582)	(29,950)	(17,525)	(3,297)	(56,354)
Allowance for impairment	-	(4)	(146)	-	(150)
Net carrying amount	11,391	20,614	1,913	1,080	34,998
Changes in 2020					
Opening net carrying amount	11,391	20,614	1,913	1,080	34,998
Merger effect	-	17	-	69	86
Additions	143	3,652	967	202	4,964
Recognition of right-to-use assets (IFRS 16)	104	-	-	209	313
Disposals	-	-	-	(26)	(26)
Early close-out (IFRS 16)	110	-	-	(25)	85
Remeasurement (IFRS 16)	12	-	-	2	14
Capitalized amortization	(56)	(6)	(2)	(2)	(66)
Amortization	(903)	(2,617)	(799)	(372)	(4,691)
Closing net carrying amount	10,801	21,660	2,079	1,137	35,677
At 31 December 2020	(€/000)	(€/000)	(€/000)	(€/000)	(€/000)
Cost	16,432	54,363	20,573	4,859	96,227
Accumulated amortization	(5,631)	(32,699)	(18,348)	(3,722)	(60,400)
Allowance for impairment	-	(4)	(146)	-	(150)
Net carrying amount	10,801	21,660	2,079	1,137	35,677

The cost of assets in progress, included in the net carrying amounts reported above, is as follows:

	Land and buildings (€/000)	*Plant and machinery* (€/000)	*Equipment* (€/000)	*Other assets* (€/000)	*Total* (€/000)
At 1 January 2019	-	2,921	280	21	3,222
At 31 December 2019	-	3,672	270	24	3,966
At 31 December 2020	-	3,672	483	-	4,155

The net carrying amount of leased assets at 31 December 2020 is analyzed below:

	Land and buildings (€/000)	*Plant and machinery* (€/000)	*Equipment* (€/000)	*Other assets* (€/000)	*Total* (€/000)
At 31 December 2019	4,486	154	-	345	4,985
At 31 December 2020	3,953	-	-	410	4,363

Depreciation of €4,093k was charged to the cost of sales (€3,620k in 2019), €45k to distribution costs (€24k in 2019) and €553k for general and administrative costs (€450k in 2019).

At 31 December 2020 the Company has contractual commitments for the purchase of property, plant of equipment totaling €1,801k (€2,173k at 31 December 2019).

8. Goodwill

Goodwill is represented by the merger deficit portions paid for this reason and arising from the merger operations. Goodwill at 31 December 2020 amounts to €44,537k (€34,112k at 31 December 2019). The value of goodwill is assigned to the sole CGU in which the Company is active.

The impairment test is carried out using the Discounted Cash Flow method (DCF) net of taxation. The projected cash flows used in the DCF calculation is determined on the basis of a 5-year business plan that takes account of the various reference scenarios and on the basis of growth forecasts in the various markets. A perpetual growth rate of 1.5% was used for periods after 2025. The projected cash flows determined in this manner were reduced by a discount factor in order to take account of the risk that future plans could become impracticable. The after tax weighted average cost of capital (WACC) was measured at 4.58%. The WACC was 4.63% at 31 December 2019. In addition, a sensitivity analysis was carried out in compliance with the requirements of the joint document issued by Banca d'Italia, Consob, and ISVAP on 3 March 2010. Even reducing the projected cash flows of the CGU by 10% would not have led to any impairment, and nor would an 0.5% increase in the cost of capital used to actualize the projected cash flows.

9. Other intangible assets

	Product development expenses (€/000)	*Patents trademarks and industrial rights* (€/000)	*Other intangible assets* (€/000)	*Total* (€/000)
At 1 January 2019				
Cost	21,319	137	2,588	24,044
Accumulated amortization	(17,136)	(137)	(2,347)	(19,620)
Allowance for impairment	(1,369)	-	-	(1,369)
Net carrying amount	2,814	-	241	3,055
Changes in 2019				
Opening net carrying amount	2,814	-	241	3,055
Merger effect	-	-	3	3
Increases	872	-	270	1,142
Capitalized amortization	-	-	(10)	(10)
Amortization	(642)	-	(144)	(786)
Closing net carrying amount	3,044	-	360	3,404
At 31 December 2019				
Cost	22,191	137	2,866	25,194
Accumulated amortization	(17,778)	(137)	(2,506)	(20,421)
Allowance for impairment	(1,369)	-	-	(1,369)
Net carrying amount	3,044	-	360	3,404
Changes in 2020				
Opening net carrying amount	3,044	-	360	3,404
Merger effect	-	4	-	4
Increases	568	-	62	630
Write-downs	(118)	-	-	(118)
Amortization	(620)	-	(129)	(749)
Closing net carrying amount	2,874	4	293	3,171
At 31 December 2020				
Cost	22,641	149	2,931	25,721
Accumulated amortization	(18,398)	(145)	(2,638)	(21,181)
Allowance for impairment	(1,369)	-	-	(1,369)
Net carrying amount	2,874	4	293	3,171

Product development costs refer to the cost of developing new products, which is capitalized when the criteria set down in IAS 38 are satisfied. The Company writes down any capitalized project costs that are no longer deemed to be recoverable.

Other intangible assets mainly relate to the cost of purchasing licenses and of developing management information software.

The cost of assets in progress, included in the net carrying amounts reported above, is as follows:

	Product development expenses (€/000)	*Other intangible assets* (€/000)	*Total* (€/000)
At 1 January 2019	1,164	-	1,164
At 31 December 2019	1,890	19	1,909
At 31 December 2020	1,978	33	2,011

Amortization of €749k (€786k in 2019) was booked entirely to general and administrative expenses.

10. Investments in subsidiaries

(€/000)	Balance at 31 December 2019	Increases due to assignment of stock options	Increases	Merger effect	Impairment	Balance at 31 December 2020
Subsidiaries:						
Walvoil S.p.A.	118,172	-	-	-	-	118,172
Walvoil Fluid Power India Pvt. Ltd.	14	-	-	-	-	14
NLB Corporation Inc.	62,048	-	-	-	-	62,048
GP Companies Inc.	8,903	-	-	-	-	8,903
Interpump Hydraulics S.p.A.	104,258	-	-	-	-	104,258
Hammelmann GmbH	26,032	-	-	-	-	26,032
Inoxpa S.A.	93,127	-	-	-	-	93,127
Reggiana Riduttori S.r.l.	130,226	-			-	130,226
Tecnoholding S.r.l.	-	-	36,161	(36,161)	-	-
Transtecno S.r.l.	-	-	-	36,161	-	36,161
Mariotti & Pecini S.r.l.	7,923	-	5,216	(13,139)	-	-
Inoxihp S.r.l.	8,704	-	-	-	-	8,704
Interpump Piping GS S.r.l.	310	-	-	-	-	310
Teknova S.r.l. (in liquidation)	17	-	-	-	(4)	13
SIT S.p.A.	814	-	-	-	-	814
Tubiflex S.p.A.	34,485	-		-	-	34,485
Pioli S.r.l.	3,008	-			-	3,008
Servizi Industriali S.r.l.	-	-	4,059	-	-	4,059
Fair value of the stock options of the employees of subsidiaries	2,424	144	-	-	-	2,568
Total subsidiaries	*600,465*	*144*	*45,436*	*(13,139)*	*(4)*	*632,902*

Mariotti & Pecini S.r.l., operating in the design, manufacture and installation of plant for the food processing, chemicals and pharmaceuticals industries, was absorbed by Interpump Group S.p.A. on 1 November 2020.

On 14 January 2020, Interpump Group completed the acquisition of the Transtecno Group, which operates in the design, production and commercialization of gears and ratiomotors. On 15 April 2020, with legal effect from 1 May 2020, the parent company previously known as Tecnoholding S.r.l. absorbed Transtecno S.r.l., Exportecno S.r.l. and Datatecno S.r.l. and changed its name to Transtecno S.r.l. This company based in Anzola Emilia (Bologna) has branches in China, the Netherlands, Spain, the USA and Mexico. Transtecno makes a medium-low power range of products that are used in a multitude of sectors, with specific lines designed for poultry farming, car wash systems and renewable energy (biomass boilers and solar panels). The modular design approach facilitates the optimization of distribution, reducing the need for burdensome inventories and simplifying the work of distributors. Transtecno generated consolidated sales of €48.8m in 2019, with an EBITDA of €8.9m. The positive consolidated net financial position (NFP) amounted to €4.1m. These results make Transtecno, together with Reggiana Riduttori, one of the most profitable and solid in the Italian gear industry. The price for the acquisition of this 60% interest was €22m plus 488,533 Interpump shares already owned by the Group. Put and call options, exercisable in two and four years, were agreed in relation to the remaining 40% interest.

On 21 July 2020, Interpump Group acquired 80% of Servizi Industriali S.r.l., a company based in Ozzano Emilia (Bologna) that is active in the design, production and commercialisation of centrifugal separators under the Macfuge brand name. The Macfuge systems are used for separation and the clarification of fluids. These processes increase the purity of fluids in the food processing, chemicals, pharmaceuticals and energy sectors. They allow the proper recycling and disposal of waste products generated by numerous industries, thus improving their environmental impact; additionally, they are essential to the production of biofuels. The company generated sales of €7.7m in 2019, up by 40% with respect to the prior year, with an EBITDA margin of about 22%. The price agreed, inclusive of cash totaling €0.5m, was €4m.

The increase in the ownership of Mariotti & Pecini S.r.l. reflects the purchase of the residual 40% equity interest during the first half of 2020.

The impairment of Teknova S.r.l. (in liquidation) reflects alignment with the book value of its quotaholders' equity following the loss incurred during the year.

All the equity investments held by Interpump Group S.p.A., with the exception of the investment in Sit S.p.A., are considered financial fixed assets from the date of acquisition and, therefore, not held-for-sale instruments (as defined in IFRS 9).

Share-based payment agreements (stock option plans) that make equity instruments of the Parent company available to employees of its subsidiaries are recognized in accordance with IFRIC 11. The fair value of the stock options assigned to and exercisable by employees of subsidiaries, €144k, has been added to the value of the investments, with an increase in the share premium reserve as the matching entry.

The following breakdown shows the cost of investments in subsidiaries at 31 December 2020, compared with the related portion of equity pertaining to Interpump Group S.p.A.:

(€/000)	Share capital	Shareholders' equity	Profit (Loss)	% held	Carrying amount	% Shareholders' equity	Difference
Walvoil S.p.A.	7,692	177,351	36,841	65%	118,172	115,278	(2,894)
Walvoil Fluid Power India Pvt. Ltd.	4,803	22,755	2,809	-	14	27	13
NLB Corporation Inc.	12	87,819	4,687	100%	62,048	87,819	25,771
GP Companies Inc.	1,854	16,109	5,557	100%	8,903	16,109	7,206
Interpump Hydraulics S.p.A.	2,632	236,582	35,943	100%	104,258	236,582	132,324
Hammelmann GmbH	25	128,587	23,276	100%	26,032	128,587	102,555
Inoxpa S.A.	23,000	58,105	10,716	100%	93,127	58,105	(35,022)
Reggiana Riduttori S.r.l.	6,000	55,380	9,940	100%	130,226	55,380	(74,846)
Transtecno S.r.l.	100	11,253	4,472	60%	36,161	6,752	(29,409)
Inoxihp S.r.l.	119	6,650	1,437	53%	8,704	3,506	(5,198)
Interpump Piping GS S.r.l.	10	1,659	761	100%	310	1,659	1,349
Teknova S.r.l. (in liquidation)	28	13	(4)	100%	13	13	-
SIT S.p.A.	105	1,374	64	65%	814	893	79
Tubiflex S.p.A.	515	11,624	1,710	100%	34,485	11,624	(22,861)
Pioli S.r.l.	10	1,490	311	100%	3,008	1,490	(1,518)
Servizi Industriali S.r.l.	100	2,565	530	80%	4,059	2,052	(2,007)

As shown in the above table, for certain investments the carrying value booked to the financial statements of Interpump Group S.p.A. is higher than the corresponding portion of shareholders' equity held.

The Company therefore subjected the values of the investments to impairment testing by means of the Discounted Cash Flow method (DCF), net of taxation. The projected cash flows used in the DCF calculation were determined on the basis of a 5-year business plan that takes account of the various reference scenarios and on the basis of growth forecasts in the various markets. A perpetual growth rate of 1-1.5% was used for periods after 2025. The projected cash flows determined in this manner were reduced by a discount factor in order to take account of the risk that future plans could become impracticable. In addition, a sensitivity analysis was performed, reducing the projected cash flows of the single companies and increasing the cost of capital employed to actualize the prospective cash flows. No value impairment emerged in any of the cases examined. The negative differentials are solely related to investments acquired in recent years, for which the capital gains that emerged and the related goodwill are booked to the Group's consolidated financial statements.

11. Other financial assets

Other financial assets mostly comprise loans granted to subsidiaries.

The following table shows existing financial relations (amounts expressed in €/000):

	Loans granted		Interest income	
	31/12/2020	31/12/2019	2020	2019
Subsidiaries:				
Interpump Hydraulics S.p.A.	62,590	87,590	795	1,045
IMM Hydraulics S.p.A.	35,000	30,500	313	258
Hydra Dyne Technology Inc.	10,000	9,000	191	66
Interpump Piping GS S.r.l.	7,000	7,000	70	76
Tekno Tubi S.r.l.	3,020	3,280	33	35
GS-Hydro UK Ltd	500	500	5	5
Inoxihp S.r.l.	2,109	-	4	-
Unidrò Contarini Sarl	367	-	2	-
Muncie Power Inc.	-	-	-	42
Inoxpa S.A.	-	-	-	7
GS-Hydro Benelux B.V.	-	-	-	1
Total	*120,586*	*137,870*	*1,413*	*1,535*

The intercompany loans outstanding at 31 December 2020 earn interest at 3-month Euribor uplifted by a spread that fluctuated during the year between 80 and 100 basis points, except for the loan to Hydra Dyne Technology Inc., on which a fixed rate of 1.95% is applied, and the loans to Inoxihp S.r.l. ed Unidrò Contarini Sarl, on which a fixed rate of 1.5% is applied.

In relation to the loans granted, €37,815k are current, while the remaining €82,771k are considered non-current.

12. Deferred tax assets and liabilities

The changes during the year in deferred tax assets and liabilities are analyzed below:

	Deferred taxes assets		*Deferred taxes liabilities*	
	2020 (€/000)	*2019* (€/000)	*2020* (€/000)	*2019* (€/000)
At 1 January	1,700	1,537	764	987
Recognized in the income statement	11,425	50	(107)	(223)
Merger effect	78	11	-	-
Recognized in equity reserves	26	102	-	-
At 31 December	13,229	1,700	657	764

Deferred tax assets and liabilities may be classified in the following captions of the statement of financial position:

	31/12/2020 Deferred tax assets (€/000)	*31/12/2019 Deferred tax assets* (€/000)	*31/12/2020 Deferred tax liabilities* (€/000)	*31/12/2019 Deferred tax liabilities* (€/000)
Property, plant and equipment	83	86	647	694
Intangible assets	9,773	-	-	-
Inventories	615	680	-	-
Receivables	85	55	-	-
Dividends receivable	-	-	-	60
Equity investments	318	318	10	10
Liabilities for employee benefits	(588)	(577)	-	-
Provision for risks	1,786	-	-	-
Shareholders' equity:				
- liabilities for employee benefits	776	737	-	-
Other	381	401	-	-
Total	13,229	1,700	657	764

The Company decided to make the election envisaged in art. 110, subsection 8(2) of Decree 104/2020, as amended by art. 1, subsection 83, of Law 178 dated 30 December 2020, in order to obtain tax recognition for the net carrying amount of the goodwill reported in the statement of financial position at 31 December 2019, €34,112k, by paying a flat-rate tax of 3% of the amount to be realigned. Exercise of this election resulted in recognition in the 2020 income statement of the related change in deferred tax assets of €9,773k.

Deferred taxes recognized directly in equity are related to remeasurement of liabilities for employee benefits (TFR) connected to the actuarial component.

No deferred tax liabilities were recorded on provisions qualifying for tax relief due to the fact that distribution is not anticipated (see Note 18).

13. Interest-bearing financial payables and bank payables

The main loans are all subject to the following financial covenants, calculated on the consolidated values:

- Net indebtedness / Shareholders' equity;
- Net indebtedness / EBITDA;
- EBITDA / Financial charges.

At 31 December 2020 all financial covenants are amply complied with.

Interest-bearing financial payables at 31 December 2020 include lease payables of €4,427k (€4,868k in 2019) in relation to rental and hiring contracts (IFRS 16) that are analyzed below at 31 December 2020:

	31 December 2020				31 December 2019			
(€/000)	Within the year	Between one and five years	Beyond five years	Total	Within the year	Between one and five years	Beyond five years	Total
Outstanding installments on leasing contracts	842	3,064	691	4,597	805	2,934	1,352	5,091
Interest	(51)	(113)	(6)	(170)	(59)	(143)	(21)	(223)
Present value of lease payables	791	2,951	685	4,427	746	2,791	1,331	4,868

Non-current financial payables have the following due dates:

	31/12/2020 (€/000)	31/12/2019 (€/000)
From 1 to 2 years	139,498	100,922
From 2 to 5 years	194,908	200,880
Beyond 5 years	685	1,331
Total	335,091	303,133

The average interest rate on loans in 2020 was approximately 0.40% (0.44% in 2019).

All loans at 31 December 2020 are at floating rates.

The Company has the following lines of credit which were unused at year-end:

	31/12/2020 (€/000)	31/12/2019 (€/000)
Current account overdrafts and export advances	21,295	21,295
Medium/long-term loans	50,000	150,000
Total	71,295	171,295

14. Other current liabilities

Other current liabilities are analyzed below:

	31/12/2020 (€/000)	31/12/2019 (€/000)
Payables to personnel	3,616	3,221
Payables to social security institutions	1,620	1,625
Payables related to the acquisition of investments	1,125	16,878
Customer advances	1,194	722
Customer credit balance	275	257
Customers for credit notes to issue	75	78
Payables for remuneration of directors/auditors	1,000	1,047
Accrued expenses and deferred income	127	-
Other	139	78
Total	9,044	23,906

15. Provisions for risks and charges

On 16 March 2020, the Board of Directors established a termination indemnity - in line with that already approved at the Shareholders' Meeting - for Fulvio Montipò, founder of Interpump Group S.p.A., amounting to €7,443k.

Other non-current provisions for risks and charges include the agents' termination indemnity of €78k, which was increased during 2020 by €75k and used by €63k, including the release of excess amounts totaling €23k.

16. Liabilities for employee benefits

Liabilities for defined benefit plans

The changes in these liabilities are analyzed below:

	2020 (€/000)	2019 (€/000)
Liabilities at 1 January	5,216	5,043
Amount charged to the income statement in the year	(14)	(9)
Recognition in equity of actuarial results	109	425
Reclassifications	(53)	(16)
Merger effect	311	7
Payments	(319)	(234)
Liabilities at 31 December	5,250	5,216

The following items were recognized in the income statement:

	2020 (€/000)	2019 (€/000)
Current service cost	-	-
Financial Income / Expenses	(14)	(9)
Past service cost	-	-
Total recognized in the income statement	(14)	(9)

Refer to the "Board of Directors' Report" in chapter "1. Profitability" for a breakdown of labor costs.

The average number of employees broken down by category is as follows:

	2020	2019
Executives	14	14
Managers	19	17
White collar	108	101
Blue collar	336	340
Fixed-contract personnel	1	7
Total	478	479

Liabilities for defined benefit plans (Severance indemnity - TFR) are determined using the following actuarial assumptions:

	Unit of measurement	2020	2019
Discount rate	%	0.25	0.75
Percentage of employees expected to resign before retirement age (*turnover)**	%	5.27	4.75
Annual cost-of-living increase	%	1.30	1.50
Average period of employment	Years	16.63	16.20

* = average annual resignation percentage, all causes, in the first ten years following the assessment.

17. Share capital

Share capital comprises 108,879,294 ordinary shares with a unit par value of EUR 0.52 totaling €56,617,232.88. However, the share capital reported in the financial statements amounts to €55,462k, since the nominal value of purchased treasury shares, net of those sold, has been deducted from share capital in compliance with the reference accounting standards. At 31 December 2020 Interpump S.p.A. holds 2,222,356 treasury shares in the portfolio corresponding to 2.04% of the share capital, acquired at an average unit cost of EUR 28.1408.

Changes in treasury shares over the past two years have been as follows:

	Number
Balance at 31/12/2018	*3,413,489*
2019 purchases	2,940,000
Sale of shares to finance subsidiaries' purchases	(3,800,000)
Sale of shares for the exercise of stock options	(328,750)
Balance at 31/12/2019	*2,224,739*
2020 purchases	1,610,000
Sale of shares to finance subsidiaries' purchases	(488,533)
Sale of shares for the exercise of stock options	(1,123,850)
Balance at 31/12/2020	*2,222,356*

Taking treasury shares into consideration, the following changes were recorded in the number of shares in circulation:

	2020 Number of shares	2019 Number of shares
Ordinary shares in existence at 1 January	108,879,294	108,879,294
Treasury shares held	(2,224,739)	(3,413,489)
Shares in circulation at 1 January	106,654,555	105,465,805
Treasury shares purchased	(1,610,000)	(2,940,000)
Treasury shares sold	1,612,383	4,128,750
Total shares in circulation at 31 December	106,656,938	106,654,555

The aims identified by the Group in the management of capital are the creation of value for all shareholders and supporting development of the group, both through internal means and by means of targeted acquisitions. The Group therefore intends to maintain an adequate level of capitalization, which simultaneously makes it possible to generate a satisfactory economic return for shareholders and to guarantee economically effective access to external sources of borrowing. The Group constantly monitors the evolution of the debt to equity ratio and the generation of cash through its industrial operations. In order to attain the aforementioned goals, the Group constantly monitors the cash flows generated by the business sectors in which it operates, both through improvement or maintenance of profitability, and careful management of working capital and of other expenditure. Capital is construed as both the value contributed by Interpump Group shareholders (share capital and share premium reserve, totaling €133,937k at 31 December 2020 and €151,973k at 31 December 2019), and the value generated by Group operations (other reserves and legal reserve, including profit for the year, totaling €383,164k at 31 December 2020 and €308,261k at 31 December 2019, excluding the translation reserve and the reserve for the restatement of defined benefit plans).

Treasury shares purchased
The amount of the treasury shares held by Interpump Group S.p.A. is recorded in an equity reserve. The Company acquired 1,610,000 treasury shares in 2020 for €48,487k, at an average price of €30.1165 (2,940,000 treasury shares were purchased in 2019 for €78,993k, at an average price of EUR 26.8685).

Treasury shares sold
In the framework of the execution of stock option plans, a total of 1,123,850 options have been exercised resulting in the collection of €14,480k (328,750 options were exercised for €3,823k in

2019). In addition, 488,533 treasury shares were assigned on the acquisition of the Transtecno Group in 2020 (3,800,000 treasury shares were assigned in 2019 to pay for equity investments).

Stock options
The fair value of the 2016/2018 and 2019/2021 stock option plans was recorded in the 2020 and 2019 financial statements in compliance with IFRS 2. Costs of €1,775k (€2,325k in 2019) relating to the stock option plans were therefore recognized in the 2020 income statement, with a matching entry to the share premium reserve. Said costs represent the portion for the year of the value of the options assigned to employees and directors, established at the allocation date, corresponding to the value of the services rendered by the latter in addition to normal remuneration.

The income statement effects were booked as follows:

	2020 (€/000)	2019 (€/000)
Distribution costs	13	24
General and administrative expenses	1,762	2,301
Total	1,775	2,325

Changes in the share premium reserve were as follows:

	2020 €/000	2019 €/000
Share premium reserve at 1 January	96,513	70,391
Increase due to income statement recognition of the fair value of stock options granted	1,775	2,325
Increase due to the recognition in equity of the fair value of stock options assigned to employees of subsidiaries	144	260
Increase for the disposal of treasury shares further to payment for acquisitions of subsidiaries	14,050	98,707
Increase for the disposal of treasury shares further to stock options exercised	14,480	3,823
Utilization to cover purchase of treasury shares	(48,487)	(78,993)
Share premium reserve at 31 December	78,475	96,513

The Shareholders' Meeting held on 28 April 2016 approved the adoption of an incentive plan known as the "*2016/2018 Interpump Incentive Plan*". The plan, which is based on the free assignment of options that grant the beneficiaries the right, on the achievement of specified objectives, to (i) purchase or subscribe the Company's shares up to the maximum number of 2,500,000 or, (ii) at the discretion of the Board of Directors, receive the payment of a differential equivalent to any increase in the market value of the Company's ordinary shares. Beneficiaries of the plan can be employees or directors of the Company and/or its subsidiaries, identified among persons having significant roles or functions. The exercise price has been established at EUR 12.8845 per share, equivalent to the market value at the time of the decision of the Board of Directors to submit the Plan to the Shareholders' Meeting. The options can be exercised between 30 June 2019 and 31 December 2022. The next meeting of the Board of Directors, held on 12 May 2016, set a figure of 2,500,000 for the number of options to be assigned, divided by the total number of options in each tranche (625,000 for the first tranche, 875,000 for the second tranche and 1,000,000 for the third tranche) and established the terms for the exercise of the options, which are connected to the achievement of specific accounting parameters and the performance of Interpump Group stock. The same Board meeting assigned 1,620,000 options to the Chairman, exercisable subject to the conditions described above, and granted mandates to the Chairman and the Deputy Chairman of Interpump Group, acting separately, to identify the beneficiaries of a further 880,000 options. On 6 and 29 July 2016, 13 December 2016 and 9 November 2017 a total of 531,800 options were assigned to other beneficiaries identified within the Interpump Group.

The changes in options in 2020 and 2019 were as follows:

	2020 Number of options	2019 Number of options
Options assigned at 1 January	1,838,050	2,121,800
Options granted in the year	-	-
Options exercised in the year	(1,123,850)	(268,750)
Options canceled in the year	-	(15,000)
Total options assigned at 31 December	714,200	1,838,050

The Shareholders' Meeting held on 30 April 2019 approved a new stock option plan entitled "2019/2021 Interpump Incentive Plan", which calls for the allocation of no more than 2,500,000 options having an exercise price of EUR 28.4952 and, for options assigned after 30 April 2020, at the official price established by Borsa Italiana on the day before the date of assignment. In its meeting of 27 June 2019, the Board of Directors assigned 1,800,000 options to Chairman and Chief Executive Officer Fulvio Montipò; subsequently, 418,500 options were assigned to other beneficiaries during 2019, including Deputy Chairman Paolo Marinsek, who was assigned 65,000 options. A further 20,000 options were assigned to other beneficiaries on 3 June 2020. Overall, a total of 2,238,500 options have therefore been granted. The options can be exercised from 30 June 2022 to 31 December 2025. The options canceled in 2020 totaled 60,600.

The changes in options in 2020 and 2019 were as follows:

	2020 Number of options	2019 Number of options
Number of rights assigned at 1 January	2,188,500	2,218,500
Number of rights assigned	20,000	-
Number of shares purchased	-	-
Number of rights canceled	(60,600)	(30,000)
Total number of options not yet exercised at 31 December	2,147,900	2,188,500

The fair value of the stock options and the actuarial assumptions utilized in the binomial lattice model are as follows:

2016/2018 Plan

First assignment	Unit of measurement	
Number of shares granted	no.	1,620,000
Grant date		12 May 2016
Exercise price		12.8845
Vesting date		1 July 2019
Fair value per option at the grant date	EUR	2.4585
Expected volatility (expressed as the weighted average of the volatility values utilized in construction of the binomial lattice model)	%	30
Expected average duration of the plan life	years	6.583
Expected dividends (compared with share value)	%	2.50
Risk-free interest rate (calculated using a linear interpolation of Euro Swap rates at 12 May 2016)	%	From 0.11 to 0.22

Second assignment	Unit of measurement	
Number of shares granted	no.	483,800
Grant date		6 July 2016
Exercise price		12.8845
Vesting date		1 July 2019
Fair value per option at the grant date	EUR	3.0520
Expected volatility (expressed as the weighted average of the volatility values utilized in construction of the binomial lattice model)	%	30
Expected average duration of the plan life	years	6.417
Expected dividends (compared with share value)	%	2.50
Risk-free interest rate (calculated using a linear interpolation of Euro Swap rates at 6 July 2016)	%	From -0.094 to -0.004

Third assignment	Unit of measurement	
Number of shares granted	no.	30,000
Grant date		29 July 2016
Exercise price		12.8845
Vesting date		1 July 2019
Fair value per option at the grant date	EUR	3.7130
Expected volatility (expressed as the weighted average of the volatility values utilized in construction of the binomial lattice model)	%	30
Expected average duration of the plan life	years	6.417
Expected dividends (compared with share value)	%	2.50
Risk-free interest rate (calculated using a linear interpolation of Euro Swap rates at 29 July 2016)	%	From -0.082 to -0.002

2016/2018 Plan

Fourth assignment	Unit of measurement	
Number of shares granted	no.	6,000
Grant date		13 December 2016
Exercise price		12.8845
Vesting date		1 July 2019
Fair value per option at the grant date	EUR	4.33130
Expected volatility (expressed as the weighted average of the volatility values utilized in construction of the binomial lattice model)	%	30
Expected average duration of the plan life	years	6
Expected dividends (compared with share value)	%	2.50
Risk-free interest rate (calculated using a linear interpolation of Euro Swap rates at 13 December 2016)	%	0.264

Fifth assignment	Unit of measurement	
Number of shares granted	no.	12,000
Grant date		9 November 2017
Exercise price		12.8845
Vesting date		1 July 2019
Fair value per option at the grant date	EUR	13.4162
Expected volatility (expressed as the weighted average of the volatility values utilized in construction of the binomial lattice model)	%	30
Expected average duration of the plan life	years	3 years and 5 months
Expected dividends (compared with share value)	%	2.50
Risk-free interest rate (calculated using a linear interpolation of Euro Swap rates at 13 December 2016)	%	-0.0285

<u>*2019/2021 Plan*</u>

First assignment	Unit of measurement	
Number of shares granted	no.	2,218,500
Grant date		28 June 2019
Exercise price		28.4952
Vesting date		1 July 2022
Fair value per option at the grant date	EUR	4.562
Expected volatility (expressed as the weighted average of the volatility values utilized in construction of the binomial lattice model)	%	30
Expected average duration of the plan life	years	4.76
Expected dividends (compared with share value)	%	1.00
Risk-free interest rate (calculated using a linear interpolation of Euro Swap rates at 28 June 2019)	%	-0.0182

Second assignment	Unit of measurement	
Number of shares granted	no.	20,000
Grant date		3 June 2020
Exercise price		27.9868
Vesting date		1 July 2022
Fair value per option at the grant date	EUR	5.226
Expected volatility (expressed as the weighted average of the volatility values utilized in construction of the binomial lattice model)	%	30
Expected average duration of the plan life	years	3.83
Expected dividends (compared with share value)	%	1.00
Risk-free interest rate (calculated using a linear interpolation of Euro Swap rates at 3 June 2020)	%	0.1557

The expected volatility of the underlying variable (Interpump Group share) is a measure of the prospect of price fluctuations in a specific period. The indicator that measures volatility in the model utilized to evaluate the options is the mean square annualized deviation of compound returns of the Interpump Group share through time.

18. Reserves

(i) Reserve from remeasurement of defined benefit plans

Includes the actuarial component of defined benefit plans (TFR).

(ii) Classification of net equity depending on possibility of utilization

(€/000)	Amount	Possibility of utilization	Available portion	Tax payable in the event of distribution	Summary of utilizations over the past three years	
					to cover losses	for other reasons
Share capital						
Subscribed and fully paid-up share capital	56,617	B	-	-	-	-
Nominal value of treasury shares in portfolio	(1,155)	-	-	-	-	-
Total share capital	55,462					
Capital reserves						
Legal reserve	6,860	B	-	-	-	-
Share premium reserve	21,469	A,B,C	21,469	-	-	17,844
Total capital reserves	28,329		21,469			
Profit reserves						
Legal reserve	4,463	B	-	-	-	-
Share premium reserve	57,006	A,B,C	54,439	1,232	-	-
Extraordinary reserve	268,091	A,B,C	232,473	7,164	-	-
Reserve for share capital reduction	1,155	-	-	-	-	-
First Time Adoption Reserve	(70)	-	-	-	-	-
Merger surplus	863	A,B,C	698	-	-	-
Reserve for restatement of defined benefit plans	(2,458)	-	-	-	-	-
Profit for the year	101,802	A,B,C	101,802	-	-	-
Total profit reserves	430,852		389,412			
Reserve for treasury shares held	62,539	-	-	-	-	181,664
Treasury shares	(62,539)	-	-	-	-	-
Non-distributable portion*			(3,171)			
Remaining distributable portion			407,710			

A: for capital increase B: for coverage of losses C: for distribution to shareholders

*= represents the non-distributable portion destined to cover deferred costs that have not yet been amortized.

We draw your attention to the fact that €12,987k of the share premium reserve qualifies for tax relief in that it was fiscally formed from the revaluation reserve, Law 342/2000 and Law 266/2005.

The Company decided to make the election envisaged in art. 110, subsection 8(2) of Decree 104/2020, as amended by art. 1, subsection 83, of Law 178 dated 30 December 2020, in order to obtain tax recognition for the net carrying amount of the goodwill reported in the statement of financial position at 31 December 2019, €34,112,024, by paying a flat-rate tax of 3% of the amount to be realigned. This flat-rate tax, amounting to € 1,023,361, will be paid to the Tax Authorities by the deadline for paying the balance of the income taxes due for the year ended 31 December 2020. The realignment will have tax effect from the tax year subsequent to that in which it was made (i.e. from the tax year ending on 31 December 2021) and, accordingly, from that tax year, the tax amortization of the realigned amount will be deductible for IRES and IRAP purposes. After making that election, pursuant to art. 14, subsection 2, of Law 342 dated 21 November 2000, the Company subjected part of the extraordinary reserve, €33,088,663, representing the additional realigned amount net of the flat-rate tax due, to the suspended taxation regime.

Utilizations refer to dividends, purchases of treasury shares and reductions of reserves for other causes and do not include transfers between reserves. In particular, with reference to the changes that occurred in the past three years note that the utilizations of the reserve for treasury shares held refer to purchases of treasury shares, while the utilizations from the share premium reserve refer to the sale of treasury shares at a price below their carrying value.

On the basis of tax legislation the reserves and profits are freely distributable and do not attract tax even in the case of distribution, on the condition that the reserves and residual profits exceed the negative components of income ascribed exclusively to the tax return; otherwise, distributed reserves and profits are subject to tax in the measure in which the residual reserves and profits are lower than the negative components of income that have been ascribed exclusively to the tax return. This condition is satisfied at 31 December 2020, hence no taxes would be payable in the event of distribution of the Company's entire profit for the year and all available reserves, beyond those already indicated in the prior statement.

(iii) Breakdown of components recorded directly in equity

	2020			2019		
(€/000)	Pre-tax amount	Taxation	Amount net of taxes	Pre-tax amount	Taxation	Amount net of taxes
Restatement of defined benefit plans	(109)	26	(83)	(425)	102	(323)
Total	**(109)**	**26**	**(83)**	**(425)**	**102**	**(323)**

19. Information on financial assets and liabilities

Financial assets and liabilities, broken down by the categories identified by IFRS 7, are summarized in the following tables:

(€/000)	At fair value through profit and loss – Initially	At fair value through profit and loss – Subsequently	*Financial assets at 31/12/2020* – Measured at amortized cost	At fair value through the Comprehensive income statement	*Financial liabilities at 31/12/2020* – Measured at amortized cost	Total
Trade receivables	-	-	15,975	-	-	15,975
Dividends receivable			3,500			3,500
Other current assets	-	-	228	-	-	228
Other financial assets financial assets	-	-	37,815	-	-	37,815
Other financial assets financial assets			82,771			82,771
Trade payables	-	-	-	-	(14,976)	(14,976)
Current interest-bearing financial payables	-	-	-	-	(143,597)	(143,597)
Payables for the acquisition of investments	-	-	-	-	(1,125)	(1,125)
Other current liabilities	-	-	-	-	(7,918)	(7,918)
Non-current interest-bearing financial payables	-	-	-	-	(335,091)	(335,091)
Total	-	-	140,289	-	(502,707)	(362,418)

(€/000)	At fair value through profit and loss – Initially	At fair value through profit and loss – Subsequently	*Financial assets at 31/12/2019* – Measured at amortized cost	At fair value through the Comprehensive income statement	*Financial liabilities at 31/12/2019* – Measured at amortized cost	Total
Trade receivables	-	-	16,135	-	-	16,135
Dividends receivable			8,000			8,000
Other current assets	-	-	235	-	-	235
Other financial assets financial assets	-	-	30,260	-	-	30,260
Other financial assets financial assets			107,624			107,624
Trade payables	-	-	-	-	(16,234)	(16,234)
Current interest-bearing financial payables	-	-	-	-	(151,229)	(151,229)
Payables for the acquisition of investments	-	-	-	-	(16,878)	(16,878)
Other current liabilities	-	-	-	-	(7,028)	(7,028)
Non-current interest-bearing financial payables	-	-	-	-	(303,133)	(303,133)
Total	-	-	162,254	-	(494,502)	(332,248)

The financial assets measured at amortized cost generated revenues and costs. Revenues comprise exchange gains of €176k (€279k in 2019). Costs, on the other hand, refer to exchange losses of €533k (€109k in 2019) and to bad debts for €75k (€70k in 2019) classified under other operating costs.

Financial liabilities measured at amortized cost have generated costs relating to the portion of ancillary charges initially incurred to obtain the loans and subsequently expensed over the duration of the loan in accordance with the financial method. Ancillary charges of €96k (€82k in 2019) were charged to the 2020 income statement.

Financial assets and liabilities measured at amortized cost generated interest income of €1,413k (€1,535k in 2019), interest expense of €1,695k (€1,534k in 2019) and interest expense on leasing payables of €62k (€66k in 2019); in addition, general and administrative expenses include commission amounts and bank charges of €111k (€106k in 2019).

Upward adjustment of the estimated liability for the purchase of residual interests in subsidiaries generated financial charges of €42k (no charge in 2019).

20. Information on financial risks

The Company is exposed to financial risks associated with its activities:

- market risks (mainly related to currency exchange rates and interest rates) since the Company does business internationally and is exposed to the exchange risk deriving from exposure to the US dollar;
- credit risk connected with business relations with customers;
- liquidity risk, with special reference to the availability of financial resources and access to the lending market and financial instruments in general;
- price risk in relation to metal price fluctuations that constitute a significant portion of the raw materials purchase price.

The Company is not exposed to significant concentrations of risk.

The Company constantly monitors the financial risks to which it is exposed in such a way as to make an advance assessment of potential negative effects and take appropriate actions to mitigate them.

The following section contains reference qualitative and quantitative indications regarding the uncertainty of these risks for Interpump Group S.p.A.

The quantitative data given below are not to be construed as forecasts; specifically, the sensitivity analyses concerning market risks are unable to reflect the complexity and correlated relations of markets that may derive from each prospected change.

Exchange risk

The Company is exposed to risks arising from fluctuations in currency exchange rates, which may affect economic results. Specifically, it clarifies that:

- for revenues denominated in currencies other than the currencies in which the respective costs are denominated, exchange rate fluctuations can impact on the Company's operating profit.
  In 2020 the total amount of cash flow exposed directly to exchange risks was approximately 20% of Company sales (about 24% in 2019), none of which is hedged against the risk of exchange-rate fluctuations.
  The exchange rates to which the Company is exposed are EUR/USD in relation to sales in dollars of high pressure pumps in North America through GP Companies Inc., which is located in this market, and in direct relation to an important US customer. The Company also bills in USD to its other US subsidiary, NLB Corporation Inc.
  The Interpump Group has adopted a policy of hedging commercial transactions denominated in foreign currency in the framework of which the most effective derivative instruments for the achievement of the preset goals have been identified and the relative responsibilities, duties and system of delegations have been defined.
  In relation to the dollar exposure on recurring sales in the American market, Company policy is not to hedge those foreign currency transactions, while in relation to non-recurring sales in

the US market (in terms of their amount or frequency), it is Company policy to arrange hedges only when deemed appropriate.

- Again in relation to commercial activities, the Company may be in a position wherein it holds commercial receivables denominated in currencies other than the account currency. Fluctuations in exchange rates can therefore result in the realization or assessment of positive or negative exchange differences.
- In relation to financial exposure, wherever the monetary outflows are denominated in a currency other than the account currency, fluctuation of the exchange rates can impact the net profits of the Company negatively. At 31 December 2020 and 31 December 2019 the Company had no financial exposures in foreign currency.

The nature and structure of the exposure to exchange risk and the related hedging policies were substantially unchanged in 2020 and 2019.

Exchange risk sensitivity analysis

The potential profit deriving from the change in the fair value of financial assets and liabilities caused by a hypothetical and immediate increase in the value of the euro of 10% with respect to the US dollar would be about €422k (€261k in 2019).

Interest rate risk

It is currently Company policy not to arrange hedges, in view of the short average duration of the existing loans (around 3.5 years). At 31 December 2020 all liquid funds were subject to floating interest rates, as were all financial and bank debts. In addition, in 2020 and in prior years the Company granted loans to subsidiaries totaling €120.6m (€137.9m at 31 December 2019). As described in Note 11, these loans were all granted at floating rates, with the exception of those made to Hydra Dyne Technology Inc., Inoxihp S.r.l. and Unidrò Contarini Sarl.

Sensitivity analysis related to interest rate risk

The effects of a hypothetical and immediate upward variation in interest rates of 50 basis points would subject Interpump Group S.p.A. to higher financial expenses, net of the increase in financial income, totaling €1,106k (€1,105k in 2019). It is reasonable to assume that a 50 basis points decrease in interest rates would produce an equivalent effect, although this time in terms of lower financial expenses.

Credit risk

The maximum theoretical credit risk exposure of the Company at 31 December 2020 and 2019 is represented by the accounting value of the financial assets recorded in the financial statements.

Historically the Company has not suffered any significant losses on receivables. This is because the Company generally allows extended payments only to its long-term customers, whose solvency and economic stability are known. In contrast, after having passed an initial credit rating analysis, new customers are required to make payments in advance or to open a letter of credit for amounts due.

Individual write-downs are applied in relation to positions, if of significant magnitude, in relation to which an objective condition of uncollectability is present for all or part of the outstanding amount. The amount of the write-down takes account of an estimate of the recoverable flows and the associated collection date, and the expenses and costs for future debt recovery. Collective provisions are allocated in relation to receivables that are not subject to individual write-downs, taking account of the historic exposure and statistical data.

At 31 December 2020, Loans and Receivables from financial activities total €140,289k (€162,254k at 31 December 2019), and include €658k for written down receivables (€506k at 31 December 2019); amounts overdue by less than three months are €3,171k (€2,802k at 31 December 2019), while those overdue beyond three months total €651k (€426k at 31 December 2019).

The Company is not exposed to any significant concentrations of sales. In fact, the top customer in terms of sales is part of the Interpump Group and accounted for about 19% of total sales in 2020 (20% in 2019). The top customer outside the Group accounted for approximately 3% of sales in 2020 (3% in 2019 as well) while, in total, the top 10 customers after the first intercompany customer accounted for 17% of sales (20% in 2019).

Liquidity risk

The liquidity risk can arise if it becomes impossible to obtain, at acceptable economic conditions, the financial resources needed for the Company's business operations. The two main factors that define the Company's liquidity situation are the resources generated by or used in business activities and investment, and the characteristics of expiry and renewal of debt or liquidity of financial investments and the relative market conditions.

The Company has adopted a series of policies and processes aimed at optimizing the management of resources in order to reduce the liquidity risk:

- retention of an appropriate level of cash on hand;
- diversification of the banks with which the Company operates;
- access to adequate lines of credit;
- negotiation of covenants at a consolidated level;
- monitoring of the prospective conditions of liquidity in relation to the corporate process.

The maturity characteristics of interest bearing financial debts and bank debts are described in Note 13. Together with the resources generated by operating and financing activities, management considers that the funds and lines of credit currently available will enable the Company to meet the requirements deriving from investing activities, the management of working capital and the settlement of payables as they fall due, while also supporting the pursuit of a growth strategy that includes targeted acquisitions capable of creating value for the shareholders. Liquid funds at 31 December 2020 total €136.7m. These funds and the cash generated by the Company in 2020 are definitely factors that serve to reduce the exposure to liquidity risk. The decision to maintain a high level of cash was adopted in order to minimize the liquidity risk, which is considered important given the current state of uncertainty of the economy, and to pick up on any acquisition opportunities that may arise.

Price risk

Interpump Group S.p.A. is exposed to risks deriving from price fluctuations of metals, which may affect economic results and profitability. Specifically, the purchase cost of metals accounted for about 26% of the purchase cost of the Company's raw materials, semi-finished products and finished products (35% in 2019). The main metals utilized by the Company include brass, aluminum, stainless steel and steel.

Company policy is to transfer the cost of stocking materials to suppliers; in this scenario the risk is hedged by means of orders for specific periods and quantities agreed at a fixed price; at 31 December 2020 signed commitments are in place covering 96% of the projected 2020 consumption of brass (9% at 31 December 2019), 16% of steel consumption (55% at 31 December 2019) and 68% of the stainless steel consumption predicted for next year (50% at 31 December 2019). In addition, at 31 December 2020 stocks covered about 20% of forecast brass consumption of (33% at 31 December 2019), the entire consumption of aluminum (also at 31 December 2019), 52% of steel consumption (69% at 31 December 2019) and 20% of stainless steel consumption (24% at 31 December 2019).

The Company's selling prices are generally reviewed on an annual basis.

21. Net sales

The following table gives a breakdown of sales by geographical area:

	2020 (€/000)	2019 (€/000)
Italy	22,477	18,618
Rest of Europe	30,948	30,795
Rest of the World	47,093	49,497
Total	100,518	98,910

Details of net sales in each invoicing currency are provided below:

	2020 (€/000)	2019 (€/000)
Euro	80,321	75,502
USD	20,195	23,408
GBP	2	-
Total	100,518	98,910

Sales in USD refer primarily to invoices issued to the US subsidiaries GP Companies Inc. and NLB Corporation Inc.

22. Other net revenues

	2020 (€/000)	2019 (€/000)
Capital gains on the sale of tangible assets	2	22
Gain on early close-out (IFRS 16)	4	-
Income from rent/royalties	242	355
Revenues from consultancy	10	10
Sale of scrap	111	168
Reimbursement of expenses	755	755
Release of excess provisions	38	-
Other	677	787
Total	1,839	2,097

23. Costs by nature

	2020 (€/000)	2019 (€/000)
Raw materials and components	30,583	28,840
Personnel and temporary staff	29,123	28,805
Services	12,063	12,655
Amortization and depreciation of intangible and tangible fixed assets (notes 7 and 9)	5,440	4,880
Directors' and statutory auditors' remuneration	5,171	5,598
Hire purchase and leasing charges	171	231
Provisions and impairment of tangible and intangible fixed assets (notes 7, 9 and 15)	7,636	18
Other operating costs	4,849	4,797
Total cost of sales, distribution costs, general and administrative expenses, other operating costs and impairment losses on intangible and tangible fixed assets	95,036	85,824

The emoluments of the Directors and Statutory Auditors of Interpump Group S.p.A. in 2020 were, respectively, €5,066k and €105k and they include remuneration resolved by the Shareholders' Meeting, the remuneration established by the Board of Directors for directors vested with special offices, including bonuses and the remunerative component deriving from stock option plans represented by the fair value of the options calculated at the time of their allocation, for the current portion.

24. Financial income and expenses

	2020 (€/000)	2019 (€/000)
Financial income		
Interest income from liquid funds	18	6
Interest income from financial assets (intercompany loans)	1,413	1,535
Other financial income	84	11
Foreign exchange gains	176	352
Total	1,691	1,904
Financial charges		
Interest expense on bank loans	1,791	1,616
Interest expense on leasing payables (IFRS 16)	62	66
Financial charges for adjustment of estimated debt	42	-
Other financial charges	159	255
Foreign exchange losses	706	109
Total	2,760	2,046

25. Income taxes

The reconciliation of taxes calculated on the basis of the nominal rates in force and the effective tax burden is a follows:

	2020 (€/000)	2019 (€/000)
IRES		
Profit before taxes from the income statement	94,927	65,208
Theoretical taxes at nominal rate (24%)	22,782	15,650
Lower taxes for non-taxable dividends	(19,971)	(10,980)
Higher taxes due to non-deductible write-downs of investments	4	6
Lower taxes due to IRAP deduction relating to expenses for employees and similar	(143)	(71)
Lower taxes due to IRAP deduction on interest expenses	(22)	(24)
Lower taxes due to super and hyper depreciation	(535)	(444)
Lower taxes resulting from Economic Growth Assistance (ACE)	(422)	-
Lower taxes due to tax redemption of goodwill	(7,164)	-
Taxes for prior financial years	(801)	(195)
Other	92	116
Total IRES	(6,180)	4,058

	2020 (€/000)	2019 (€/000)
IRAP (regional tax)		
Profit before taxes from the income statement	94,927	65,208
Theoretical taxes at nominal rate (4.65%)	4,414	3,032
Lower taxes for non-taxable dividends	(4,124)	(2,335)
Lower taxes due to tax redemption of goodwill	(1,585)	-
Lower taxes on exemption from 1st advance by absorbed company	(43)	-
Higher taxes for non-deductible payroll costs	31	38
Higher taxes for non-deductible directors' emoluments	555	241
Higher taxes due to non-deductible financial expenses	35	5
Taxes for prior financial years	(9)	(10)
Other	31	27
Total IRAP	(695)	998
Total income taxes recognized in the income statement	(6,875)	5,056

Taxes recognized in the income statement can be broken down as follows:

	2020 (€/000)	2019 (€/000)
Current taxes	(4,443)	(5,534)
Current taxes for prior financial years	810	205
Substitute tax	(1,024)	-
Deferred taxes	11,532	273
Total taxes	6,875	(5,056)

Deferred tax recognized in the income statement can be broken down as follows:

	2020 (€/000)	2019 (€/000)
Deferred tax assets generated in the year	11,893	342
Deferred tax liabilities generated in the year	-	(3)
Deferred tax assets transferred to the income statement	(468)	(292)
Deferred tax liabilities recognized in the income statement	107	226
Total deferred taxes	11,532	273

26. Earnings per share

Basic earnings per share

Earnings per share are calculated on the basis of profit for the year divided by the weighted average number of ordinary shares during the year as follows:

	2020	2019
Profit for the year attributable to shareholders (€/000)	101,802	60,151
Average number of shares in circulation	107,104,047	105,452,384
Basic earnings per share for the year	0.950	0.570

Diluted earnings per share

Diluted earnings per share are calculated on the basis of diluted profit of the year attributable to the Parent company's shareholders, divided by the weighted average number of ordinary shares in circulation adjusted by the number of potentially dilutive ordinary shares. The calculation is as follows:

	2020	2019
Profit for the year attributable to shareholders (€/000)	101,802	60,151
Average number of shares in circulation	107,104,047	105,452,384
Number of potential shares for stock option plans (*)	424,299	983,990
Average number of shares (diluted)	107,528,346	106,436,374
Earnings per diluted share at 31 December (EUR)	0.947	0.565

(*) calculated as the number of shares assigned for in-the-money stock option plans multiplied by the ratio between the difference of the average value of the share in the year and the exercise price at the numerator, and the average value of the share in the year at the denominator.

27. Notes to the cash flow statement

Property, plant and equipment

In 2020 the Company purchased property, plant and equipment totaling €4,964k (€6,222k in 2019). This expenditure involved the payment of €6,750k, inclusive of the payment of past debts for the same purpose and net of payables deferred to the following year (€4,784k in 2019).

Cash and cash equivalents

This item can be broken down as follows:

	31/12/2020 (€/000)	31/12/2019 (€/000)	01/01/2019 (€/000)
Cash and cash equivalents from the statement of financial position	136,677	95,371	12,897
Bank payables (current account overdrafts and advances subject to collection and accrued interest payable)	(207)	(388)	(487)
Cash and cash equivalents from the cash flow statement	136,470	94,983	12,410

Net financial position and cash-flow statement

For the amount and details of the main components of the net financial position and the changes in 2020 and 2019, please see Section 4 “Loans” in the “Report on operations” accompanying the financial statements of Interpump Group S.p.A. at 31 December 2020.

28. Commitments

The Company has commitments to purchase property plant and equipment totaling €1,801k (€2,173k at 31 December 2019).

29. Transactions with related parties

With regard to transactions with Group companies, please see sections 5 and 6 of the "Report on operations" accompanying the financial statements of Interpump Group S.p.A. at 31 December 2020.

The above transactions were carried out on arm's-length conditions.

30. Events occurring after the close of the year

With regard to Interpump Group S.p.A., no events occurred after 31 December 2020 that require mention in this report, while we invite you to refer to the "Report on operations" accompanying the Consolidated Annual Financial Report at 31 December 2020 with regard to events after the close of the year concerning the Group.

31. Proposal to the Shareholders' Meeting

The profit for the year was EUR 101,802,204. We propose:

- allocation of the net profit for the year to the Extraordinary Reserve, since the legal reserve has already reached the limit of one-fifth of the subscribed and fully paid up share capital;
- partial distribution of the Extraordinary Reserve by declaring a dividend of EUR 0.26 for each share in circulation including the right as per art. 2357-(3) subsection 2 of the Italian Civil Code. It should be noted that, for tax purposes, the provisions of the Ministerial Decree dated 26 April 2017 will be applied, since the entire dividend of EUR 0.26 per share is taxable in the hands of the recipient and is considered to have been drawn from profit reserves accumulated subsequent to the tax year in progress at 31 December 2007 and up to that in progress at 31 December 2016.

Annex 1

Certification of the separate financial statements pursuant to art. 81-(3) of Consob regulation no. 11971 of 14 May 1999, as amended

1. The undersigned, Fulvio Montipò and Carlo Banci, respectively Executive Director and Chief Reporting Officer of Interpump Group S.p.A., taking account also of the provisions of art. 154-(2), subsections 3 and 4 of legislative decree no. 58 of 24 February 1998, attest to:
   - adequacy in relation to the characteristics of the business and
   - effective application of the administrative and accounting procedures for formation of the financial statements during 2020.
2. We further confirm that the separate financial statements of Interpump Group S.p.A. for the year ended 31 December 2020, showing total assets of €1,032,326k, net profit of €101,802k and shareholders' equity of €514,643k:
   a. correspond to the results of the company books and accounting entries;
   b. were prepared in compliance with the international accounting standards approved by the European Commission further to the enforcement of Ruling (CE) no. 1606/2002 of the European Parliament and the European Council of 19 July 2002, and the provisions issued in implementation of art. 9 of Italian legislative decree 38/2005 and the contents are suitable for providing a truthful and fair representation of the equity, economic and financial situation of the Company;
   c. include the Board of Directors' Report, which contains a reliable analysis of performance and results and the situation of the issuer together with a description of the main risks and uncertainties to which it is exposed.

Sant'Ilario d'Enza (RE), 19 March 2021

Fulvio Montipò Chairman and Chief Executive Officer	Carlo Banci Chief Reporting Officer

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Interpump Group S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Interpump Group S.p.A. (the Company), which comprise the statement of financial position as at 31 December 2020, and the income statement, the comprehensive income statement, the statement of changes in shareholder's equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

There are no key audit matters to be communicated in the hereby report.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Interpump Group S.p.A., in the general meeting held on April 30, 2014, engaged us to perform the audits of the financial statements for each of the years ending 31 December 2014 to 31 December 2022.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Interpump Group S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Interpump Group S.p.A. as at 31 December 2020, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the financial statements of Interpump Group S.p.A. as at 31 December 2020 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of Interpump Group S.p.A. as at 31 December 2020 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative

Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Interpump Group S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information has been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information is subject to a separate compliance report signed by us.

Bologna, 29 March 2021

EY S.p.A.
Signed by: Marco Mignani, (Auditor)

This report has been translated into the English language solely for the convenience of international readers.